COVER SHEET

SEC Registration Number

A N 0 9 2 0 0 2 5 5 7

Company Name

T H E P H I L I P P I N E S T O C K E X C H A N G E ,
I N C . A N D S U B S I D I A R I E S

Principal Office (No./Street/Barangay/City/Town/Province)

6 t h t o 1 0 t h F l o o r s , P S E T o w e r ,
5 t h A v e n u e C o r n e r 2 8 t h S t r e e t ,
B o n i f a c i o G l o b a l C i t y , T a g u i g
C i t y

Form Type	Department requiring the report	Secondary License Type, If Applicable
1 7 - Q	M S R D	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
www.pse.com.ph	**(02) 876-4888**	

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
300	**05/05**	**12/31**

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Roberto Jose R. Jimenez	**rrjimenez@pse.com.ph**	**(02) 876-4839**	**0998-9679013**

Contact Person's Address

8th Floor, PSE Tower, 5th Avenue corner 28th Street, Bonifacio Global City, Taguig City

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

MAY 15 2019
3
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

1. For the quarterly period ended March 31, 2019

2. SEC Identification Number AN092002557 3. BIR Tax Identification No. 002-333-130

4. Exact name of issuer as specified in its charter THE PHILIPPINE STOCK EXCHANGE, INC.

5. Philippines
Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
Industry Classification Code:

7. 6th to 10th Floors, PSE Tower, 5th Avenue corner 28th Street, Bonifacio Global City, Taguig City
Address of principal office

1634
Postal Code

8. (02) 876-4888
Issuer's telephone number, including area code

9. 2nd Floor, PSE Plaza, Ayala Triangle, Ayala Avenue, Makati City
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock	84,999,809

11. Are any or all of these securities listed on a Stock Exchange.

Yes [/] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange, Inc. common

1. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [/] No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [/] No [ ]

13. Aggregate value of the voting stock held by non-affiliates: N/A

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The consolidated financial statements of The Philippine Stock Exchange, Inc. ("PSE", or "Exchange", or "Parent Company") and its subsidiaries, Securities Clearing Corporation of the Philippines ("SCCP") and Capital Markets Integrity Corporation ("CMIC"), (collectively referred to as the "Group"), have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). Also, the accounting policies and methods of computation used in the audited financial statements as of and for the year ended December 31, 2018 were consistently applied in the interim financial reports, where appropriate.

Attached are the interim financial statements for and as of the 1st quarter of 2019.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Key Performance Indicators

1. **Financial Performance**

	Period Ended March 31		
	2019	**201**	**% Change**
Operating Revenues	295,797,731	298,442,752	-0.89
Cost of Services	70,993,758	70,259,267	1.05
Administrative Expenses	90,829,162	92,226,245	-1.51
Other Income (Expense) – net	74,096,334	(9,008,238)	922.54
Income before Income Tax	208,071,146	126,949,002	63.90
Net Income	175,002,515	93,852,537	86.47
Basic Earnings Per Share	₱ 2.06	₱ 1.26	
Diluted Earnings Per Share	₱ 2.06	₱ 1.26	

For the first quarter of 2019, the Group's net income after income tax amounted to ₱175 million, 86.47% or ₱81.15 million higher than the same period last year. Operating revenues was slightly down by 0.89% or by ₱2.64 million mainly due to 20.62% or ₱21.92 million lower trading-related fees which was significantly offset by 20.85% or ₱19.30 million higher listing-related fees. Other income, on the other hand, significantly went up by 922.54% or ₱83.10 million while total expenses was almost flat, thus ending the quarter with an 86.47% or ₱81.15 million increase in net income after tax.

Total expenses (cost of services and administrative expenses) for the period of ₱161.82 million slightly went down by ₱0.66 million or 0.41% from ₱162.48 million of same period last year. Of ₱161.82 million, 43.87% or ₱70.99 million represented cost of services consisting of expenses directly related to the operations of the Exchange such as compensation and other related staff costs, depreciation, office expenses, communications, and repairs and maintenance. Said amount was higher by 1.05% or ₱0.73 million from last year's ₱70.26 million primarily because of the 23.03% or ₱4.11 million increase in depreciation partially reduced by ₱1.48 million lower repairs and maintenance and ₱1.26 million lower amortization of computer software. Administrative expenses of ₱90.83 million was lower by 1.51% or ₱1.40 million compared with last year's ₱92.23 million. The major components of total expenses, aggregating 93.22% or ₱150.85 million, were as follows: compensation and other related staff costs at 30.14% or ₱48.77 million, depreciation at 24.68% or ₱39.94 million, repairs & maintenance at 19.51% or ₱31.56 million, occupancy costs at 10.65% or ₱17.23 million, and professional fees at 8.24% or ₱13.34 million.

Other income of ₱74.10 million significantly increased from last year's negative balance of ₱9.01 million by 922.54% or ₱83.10 million mainly due to ₱45.28 million higher interest income and ₱ 39.21 million increase in mark-to-market gain on equity fund.

The following reflects the Earnings per Share computations:

For the three-month period ended March 31, 2019:

	2019	2018
Net income (a)	**₱175,002,515**	₱93,852,537
(b)Adjusted weighted average shares	**84,899,196**	74,338,740
(c)Adjusted weighted average shares - diluted	**85,124,750**	74,562,476
EPS:		
Basic (a/b)	**₱2.06**	₱1.26
Diluted (a/c)	**₱2.06**	₱1.26

For the Last 12 Months:

	2019	2018
Net income (a)	**₱808,255,882**	₱766,412,583
(b)Adjusted weighted average shares	**84,899,196**	74,338,740
(c)Adjusted weighted average shares - diluted	**85,133,982**	74,562,476
EPS:		
Basic (a/b)	**₱9.52**	₱10.31
Diluted (a/c)	**₱9.49**	₱10.28

2. Corporate Governance Initiatives

In support of its advocacy and market-wide efforts to raise corporate governance standards in the Philippines, the Company conducted a number of initiatives. It also continued to pursue activities that are intended to strengthen its own corporate governance as a publicly listed company.

2019 Bell Ringing for Gender Equality

The Exchange in collaboration with the International Finance Corporation (IFC) held an internal bell-ringing on March 8 at the BGC trading floor to celebrate International

Women's Day. This global celebration, intended to promote gender equality, is an annual activity organized by the UN Global Compact, Sustainable Stock Exchanges Initiative, World Federation of Exchanges, UN Entity for Gender Equality and Women in ETFs.

Sustainability Initiatives

- Building a Sustainable Business Community Conference

  In response to the clamor and interest of PLCs to learn more about incorporating sustainability in their business strategy, the PSE and Securities and Exchange Commission organized a sustainability conference entitled, "Building a Sustainable Business Community". The conference brought together experts and PLCs providing a platform to learn and share experiences on successful sustainable business practices.

  The conference was successfully held on April 12 at Shangri-La at the Fort and was attended by 164 participants from PLCs. The conference gathered experts to discuss the value of sustainability to businesses and local experts to present their successful journey in sustainability.

- 2018 Sustainability Report

  A condensed version of PSE's GRI Sustainability Report (SR) was embedded in the 2018 Shareholder Report. The full digital GRI SR will be posted in the Exchange's website soon.

Related Party Transactions Policy (RPT)

The draft policy is currently undergoing updates taking into consideration SEC Memorandum Circular Number 10 Series of 2019 or the Rules on Material Related Party Transactions for PLCs.

3. Compliance

The Exchange assessed the effectivity of the policies and procedures it put in place to comply with the requirements of the Data Privacy Act of 2012 and its Implementing Rules and Regulations. Utilizing the results of this assessment process, the Exchange identified several action items with which it can improve its data protection measures. Further, the Exchange's Data Protection Officer reviewed its initial privacy impact assessment template and came up with a user-friendly but comprehensive template for this year's annual privacy impact assessment exercise.

4. Risk Management

Given its vital role in the operation of a stable and efficient capital market, and in line with its goals of being a world-class exchange, the Exchange continued to make risk management a fundamental part of its strategy development and execution, business operations and effective corporate governance. The implementation of the Enterprise Risk Management, Business Continuity Management and Information Security Policy are on-going.

Enterprise Risk Management

Under its ERM Framework, the PSE has identified its Top Key Risks for 2018 as follows: Cyber security, System Failure, Regulatory and Compliance, Talent Management, Reputational, Corporate Strategy, Disaster Events, Settlement Fails, System and Data Access and Trading Participant Compliance Risk. The Exchange has in place various risk mitigation measures which address these and the other key risks it faces.

Business Continuity Management

In accordance with the Business Continuity Management Policy, the Exchange has a new Disaster Recovery (DR) site due to the office migration in Bonifacio Global City. The DR site is a secure and reliable facility located in a different topographic location and power grid. It is compliant with industry standards and best practices in terms of distance from primary data center, seismic zone and environment site details, accessibility, capacity for expansion, and network latency. The power supply inside the facility is fully fault-tolerant and everything is dual-powered.

On June 23, 2018, the Exchange conducted a market wide DR Test. The scenario of the DR Test was the PSE X-stream Trading System (XTS) has to start at the DR site due to the failure in the production site that resulted in the unavailability of the primary trading servers. Causes may be numerous and wide-ranging, from mega- typhoon, system failure, earthquake, power outage to fire, but the end goal is the same: to recover from a disaster impacting the functioning of PSE's primary data center as quickly and completely as possible. The DR Test was generally successful. There were high participation of Trading Participants and Data Vendors and they were able to connect to the PSE's DR site using different connectivity options. There were also no major issues in transferring the production site to the DR site.

Information Security

PSE operates in a global interconnected business environment where confidentiality, integrity and availability of information are essential to maintaining public trust and confidence. The Exchange has implemented a comprehensive policy for the protection of its information assets. The Information Security policy intends to provide for reasonable and appropriate safeguards for protecting the information assets from unauthorized access, modification, destruction, and/or disclosure.

During the 3rd Quarter of 2018, a Cybersecurity expert conducted a Cybersecurity Awareness and Education for the Board of Directors and key officers of the Exchange. The workshop provided PSE the insights on how to address the evolving threats of cybercrime. To prevent fraud and to ensure the security of the different devices, the Top 10 Key Cyber Safety Tips was presented to protect the personal information from malicious threats. In addition, the Parent conducted an independent assessment of vulnerabilities in the network security of the Exchange. The Cybersecurity Audit activity, commonly called Vulnerability Assessment and Penetration Testing was outsourced to an independent auditor.

5. Trading Participant Relations

In June, the Exchange issued a Circular on the policy applicable to trading participants and trading right owners who have not been operating since May 24, 2012 or earlier ("inactive

TPs") for continued membership in the Exchange. Inactive TPs were given up to September 13, 2017 to signify their intention to commence or resume operations, six months from the Circular's effectivity date or December 13, 2017 to raise the minimum paid-up capital requirement to P100 million, and up to one year or June 13, 2018 to commence brokerage operations. Failure to do so, the Exchange will initiate proceedings for the revocation of their TP status. On September 26, 2018, the Board of the Exchange authorized the cancellation of the trading rights of 41 Trading Participants and the removal of the corresponding certificates from the registry of trading rights.

6. Market Integrity/Stockholder Confidence

a. Capital Markets Integrity Corporation

The Capital Markets Integrity Corporation (CMIC) is a wholly-owned subsidiary of the Philippine Stock Exchange (PSE) and has the primary mandate of safeguarding the interests of the investing public and maintaining the integrity of the capital markets.

As a self-regulatory organization (SRO), the CMIC monitors trading activities, conducts audit of the pertinent books and records of PSE trading participants (TPs), and enforces compliance with the securities laws by the TPs. In pursuance of the securities laws, the CMIC carries out the enforcement role of an SRO by investigating and resolving cases involving violations of securities laws, which include trading-related irregularities and unusual trading activities.

In order to fulfill its mandate, the CMIC operates through three core departments: the Audit and Compliance Department (ACD); the Surveillance Department (SD); and the Investigation and Enforcement Department (IED).

The ACD conducts regular and spot audits of the books and records of the TPs. Accordingly, it is comprised of two units: the Regular Examination Unit (REU) and the Risk Management Unit (RMU).

The REU performs an annual audit of the TPs' relevant documents, based on an audit program approved by the Securities and Exchange Commission (SEC). The REU conducted the branch audit of TPs in March 2019.

On the other hand, the RMU conducts a semi-monthly review of the TPs' risk-based capital adequacy (RBCA) reports and reserve requirements to regularly assess their financial and risk profiles.

The SD monitors daily market activities, identifies irregularities in the market, and investigates unfair trading practices.

The IED conducts investigations of alleged violations of securities laws, based on complaints filed by investors, initial findings of the SD, and other matters which the IED has determined should be resolved to enforce the securities laws.

In 2014, the CMIC suspended the operations of I. Ackerman & Co., Inc. (IACI) for various violations of the securities laws. In 2015, the SEC issued an Order directing the CMIC to take over IACI's operations and settle IACI's liabilities to its customers through the sale of its trade-related assets, among other actions.

The CMIC has been implementing the Order of the SEC, in accordance with the relevant securities laws, together with an allocation and liquidation plan submitted to the SEC.

b. Securities Clearing Corporation of the Philippines

Further, the PSE ensures the efficient clearing and settlement of trades through its wholly-owned subsidiary, the Securities Clearing Corporation of the Philippines (SCCP). SCCP is responsible for (a) synchronizing the settlement of funds for transactions of clearing members and the transfer of securities through Delivery versus Payment (DVP) clearing; (b) the administration of the Clearing and Trade Guaranty Fund (CTGF) and guaranteeing the settlement of trade through the implementation of its Fail Management System in the event of a Trading Participant's default; and (c) performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

To be able to support new products and services that the Exchange plans to venture into, the SCCP Board approved the proposal of management to acquire a new clearing and settlement (C&S) system which will incorporate global best practices in clearing and settlement services using advanced, or latest technologies available in the market. A Request for Information (RFI) was issued in September 2015 to solution providers of equities clearing and settlement systems in the global market to be able to get an initial overview of the existing systems used by other clearinghouses. A Request for Proposal (RFP) was subsequently issued in January 2016 to the interested solution providers. The implementation of a new C&S system will entail a major revision of its Rules and Operating Procedures which will in turn require prior SCCP Board approval, public consultation and SEC approval.

SCCP will likewise conduct market briefings and hands-on training sessions as well as a series of simulation tests/market rehearsals to ensure that all its clearing members gain familiarity with the features of the new C&S system as well as its functionalities. The winning vendor is expected to be selected by the C&S Steering Committee in the third quarter of 2018. SCCP plans to launch its new clearing and settlement system in 2019.

SCCP conducts a formal review of its settlement banks annually, in addition to its regular monitoring throughout the year. The annual credit review, as in the past, covered the bank's credit trustworthiness, liquidity, adherence to the capital adequacy ratio requirement of the BSP, quality of loan portfolio and technical and operational capability of the banks concerned.

The review confirmed that SCCP's financial partners are well capitalized, liquid, have provided adequate buffers against potential credit losses, and are well above the minimum Capital Adequacy Ratio requirements of the Bangko Sentral ng Pilipinas as well as the Basel III capital adequacy requirements.

SCCP, as it religiously did so in the past years, successfully conducted testing of its Business Continuity and Disaster Recovery (BC/DR) plan on a quarterly basis.

7. Human Resource Program

a. Healthcare Program

The Exchange provides its employees certain benefits designed to protect them and their families against the burden of health care expenses and to ensure that employees are in good health off-and on-the-job. This program is undertaken through an HMO provider. The health maintenance contract provides certain in-patient benefits as well as subsidy for one of the employee's dependents. It also includes an annual medical exam, preventive health care, out-patient services, hospitalization and emergency care.

For the first quarter of 2019, the Exchange organized a wellness information session for PSE employees which talked about the different diseases of the 21st century. The medical resource person was able to tackle the history and evolution of diseases, including effective ways to prevent acquiring diseases.

The employees' annual physical examination likewise commenced during the first quarter.

b. Wellness Program

As part of its Wellness Program, the Exchange provided employees on how to have a healthy and safe lifestyle. To this end, 11 bulletins were released in the first quarter of 2019 covering various tips relevant for employees and their families. This includes tips on how to prevent heat stroke, medical bulletins, and how to keep hydrated during the summer season.

Further, the Exchange holds a year-round series of physical fitness and sports activities for employees that are also meant to improve health and wellness aside from fostering camaraderie and sportsmanship. For the first quarter of 2019, a total of 18 Zumba sessions and PSE employees participated in the PSE Bull Run held last January.

c. Training Programs

Employees are trained based on a learning and development plan monitored on a yearly basis. Training is based on what would help the employees do their job better as well as identified areas for improvement through the annual performance appraisal process.

There were 8 external training attended by PSE employees for 2019 quarter 1. Further, 15 employees attended the internal training on dual class shares, while 29 employees attended the training on bone care, posture and corporate image.

8. Cost Management

Management continually implements measures to cut on unnecessary costs and ensures prudent management of expenditures through its regular budget performance monitoring process.

Analysis of Results of Operations and Financial Condition

March 2019 vs. March 2018

For the period ended March 31, 2019, operating revenues of ₽295.80 million slightly went down by ₽2.64 million or 0.89% compared with the same period in 2018. The decline was primarily due to the following:

- Trading-related fees went down by ₽21.92 million or 20.62% due to 6% lower trading volume from ₽521 billion in March 2018 to ₽489 billion in March 2019 or an average daily value turn-over of ₽8.02 billion from ₽8.68 billion. Also, fees from subscription and data feed connections went down by 65.98% or ₽16.36 million and 8.02% or ₽2.35 million, respectively, due to decrease in subscribers. Trading-related income made up 28.53% of operating revenues.

- SCCP Service fees, which made up 29.52% of operating revenues, went down by 6.14% or ₽5.71 million from ₽93.02 million to ₽87.31 million due to similar percentage decline in trading volume.

- Listing maintenance fee was down by 3.87% or by ₽2.55 million.

The downward effect of the above revenue sources were partially mitigated by the following:

- Listing-related fees went up by 82.53% or by ₽21.82 million. In compliance with PFRS 15, listing fees are recognized as revenue using the proportionate level of services prior to initial admission to the exchange including vetting services for corporate-action related transactions and the level of maintenance and monitoring services over the listed life of the companies. Please refer to the Notes to Financial Statements for more details.

  The retrospective application of PFRS 15 on prior years' listing fees resulted in the reduction of the beginning balance of Retained Earnings for 2019 by ₱652.61 million, net of deferred tax asset. The said amount which represented deferred listing fees was recorded as contract liability in the balance sheet to be amortized over the average listed life of the companies. Of the deferred amount, ₱45.74 million was recorded as listing revenue for the 1st quarter of 2019. Of the listing fees received during the current period amounting to ₱22.36 million, only ₱2.52 million was recognized in the income statement while the difference of ₱19.84 million was recognized as contract liability in the balance sheet. Hence, total listing fees recognized for the period amounted to ₱48.26 million.

  Listing-related income constituted 37.83% of operating revenues.

- Other operating revenues went up by 87.04% from ₽6.52 million to ₽12.20 million mainly due to higher trading-related penalties imposed during the period under review.

Total expenses slightly declined by 0.41% or ₽0.66 million from ₽162.48 million to ₽161.82 million. The significant movements of the expense items were as follows:

- Depreciation expenses, 24.68% of total expenses, went up by 33.94% or by ₽10.12 million due to the depreciation of the office space in Bonifacio Global City which started in March 2018 and computer software/hardware acquired in the latter part of 2018;

- Occupancy costs, 10.65% of total expenses, went down by 28.64% or ₱6.92 million due to the termination of office rental in Tektite;

- Public relations decreased by 71.49% or ₱2.58 million since the amount in 2018 included the costs incurred for the hosting of ASEAN CEO meetings, tokens and other expenses related to the transfer to BGC office;

- Office supplies decreased by 24.85% or ₱0.27 million or due to lower consumption of supplies used in operations;

- Transportation and travel decreased by 47.87% or ₱0.44 million since the amount in 2018 included the meals and transportation costs incurred by technical experts during the implementation of the new front-end trading system;

- Trading participants-related expenses decreased by 26.88% or ₱0.09 million due to lower costs incurred for annual lion dance and lounge supplies;

- Market development expenses increased by 224.55% or ₱1.68 million due to expenses incurred for 2019 bullrun;

- Amortization of computer software was down by 98.96% or ₱1.26 million because the surveillance system was already fully amortized at the beginning of the quarter;

- Meetings and conferences went up by 23.86% or ₱0.08 million due to higher expenses incurred for board and committee meetings;

- Communications went down by 14.12% or ₱0.45 million due to the termination of various link-up connections;

- Taxes and licenses decreased by 44.09% or ₱0.83 million due to lower documentary stamp tax and the amount in 2018 still included the cost of realty tax in Tektite office;

- Insurance went down by 30.24% or ₱0.20 million due to lower insurance premium cost in view of the sale of Tektite office;

- Other expenses decreased by 7.60% or ₱0.10 million mainly due to lower expenses incurred for management fees related to externally managed equity funds and bank charges.

The PSE realized a net income after tax of ₱175 million, higher by 86.47% or ₱81.15 million from ₱93.85 million during the same period last year.

Total Assets amounted to ₱ 7.24 billion, higher by 16.14% or ₱1.01 million than the ₱6.23 billion last year. The significant movements in the components of total assets are discussed below:

- Cash and cash equivalents amounted to ₱4.04 billion, higher by 21.15% from last year's ₱3.33 billion mainly due to the proceeds received from the stock rights offering on March 22, 2018. The account comprised 55.83% of total assets.

- Financial assets at fair value-through-profit & loss (FVTPL) of ₱291.36 million pertained to the investment in equity fund being managed by Banco de Oro and Metro Bank under a purely discretionary mandate. This account made up 25.24% of total investments and 4.03% of total assets.

- Financial assets at fair value through other comprehensive income (FVOCI) pertained to corporate bonds with interest rate of 5.63% to 6.00% which will mature in April 2019. Available-for-sale (AFS) investments in March 2018 of ₱5.05 million pertained to government debt securities with interest rate of 2.13% that matured in May 2018.

- Accounts receivable, 1.79% of total assets, went up by 24.58%, from ₱103.76 million to ₱129.27 million mainly due to higher listing fees billed in 1st quarter of 2019.

- Other current assets of ₱103.52 million increased by 17.04% or ₱15.07 million mainly due to the increase in input VAT by ₱59.85 million and higher unamortized prepaid expenses of ₱37 million.

- Long-term financial assets at FVOCI of ₱589.77 million pertained to the fair value of the investments in fixed income securities. The account, which increased by 19.98% or ₱98.20 million, made up 51.10% of total investments and 8.15% of total assets.

- Investment in an associate of ₱273.04 million went down by 23.99% or ₱86.17 million because of the cash dividend received on June 29, 2018 of 125.90 million, net of the share in net income in 2018.

- Property and equipment, 20.14% of total assets, went down by 0.57% or ₱8.42 million.

- Deferred tax assets went up by ₱258.62 million mainly as a result of the retrospective adjustment of the beginning balance of retained earnings and the corresponding recognition of contract liability for deferred listing fees in compliance with PFRS 15.

- Other noncurrent assets decreased by 41.85% or ₱20.50 million mainly due to the application of the noncurrent portion of input tax against output tax.

Current liabilities went up by 168.08% or ₱953.27 million from ₱567.15 million to ₱1.52 billion mainly because of ₱748 million dividend payable declared on March 27, 2019 payable on May 10, 2019. Also, the current portion of contract liabilities went up by ₱251.54 million mainly due to the current portion of deferred listing fees amounting to ₱ xxxxx. Noncurrent liabilities also increased by ₱697.91 million mainly in relation with the retrospective adjustment of the beginning balance of retained earnings and the corresponding recognition of contract liability for deferred listing fees in compliance with the PFRS.

The PSE remained liquid with working capital of ₱3.05 billion and current ratio of 3.01:1.

Retained Earnings of ₱ 1.09 billion, as of March 31, 2019, consisted of ₱ 121.00 million appropriated for treasury shares and legal cases not covered by directors & officers' liability insurance, donated capital of ₱ 447.29 million and an unappropriated amount of ₱526.26 million, inclusive of net income for the period of ₱175 million, net of cash dividends declared on March 27, 2019 amounting to ₱748 million and reduction of the beginning balance of retained earnings by ₱652.61 million for the first time application of PFRS 15 on listing fees.

As of March 31, 2019, the net unrealized loss on financial assets at FVOCI/AFS investments reflected in the equity account amounted to ₱24.74 million. Remeasurement gain on pension benefits of ₱19.33 million from ₱15.26 million in March 2018 was higher by 26.70% or by ₱4.07 million as computed based on the Amended PAS No.19 (R).

March 2019 vs. December 2018

Compared with the total assets of ₱ 6.62 billion, as of December 31, 2018, the balance as of March 31, 2019 of ₱ 7.24 billion was higher by ₱611.75 million or 9.24%. The accounts with significant changes are discussed below:

- Cash and cash equivalents amounting to ₱4.04 billion was higher by 4.43% or ₱171.46 million mainly due to interest on the proceeds of stock rights offering received on March 22, 2018.

- Financial assets at fair value-through-profit and loss, which pertained to the investment in equity fund, increased by 12.15% or ₱31.55 million mainly due to the income realized by the fund for the first quarter of 2019.

- Accounts receivable went up by 30.07% or ₱29.88 million mainly due to billing to data vendors in 2019.

- Other current assets increased by 106.58% or ₱53.41 million primarily due to increase in prepaid expenses.

- Long-term financial assets at FVOCI went up by 26.49% or ₱123.52 million because of higher fair value of the fixed income securities.

- Deferred tax assets went up by ₱269.04 million as a result of the retrospective adjustment of the beginning balance of retained earnings and corresponding contract liability for the deferred portion of listing fees in compliance of PFRS 15.

- Other non-current assets went down by 42.19% or ₱20.79 million mainly because of the application of input tax against output tax.

Current liabilities increased by ₱1.12 billion or 279.03% to ₱1.52 billion primarily due to ₱748 million declaration of cash dividend, ₱190.27 million deferred fees related to the unamortized portion of annual listing maintenance fees for 2019 and the current portion of contract liabilities of ₱273.24 million for deferred listing fees. Noncurrent liabilities also increased by ₱696.86 million primarily due to the noncurrent portion of contract liabilities amounting to ₱ xxxx.

The PSE remained liquid with working capital of ₱3.01 billion and current ratio of 3.01:1.

Retained Earnings of ₱ 1.09 billion, as of March 31, 2019, consisted of ₱ 121.00 million appropriated for treasury shares and legal cases not covered by directors & officers' liability insurance, donated capital of ₱447.29 million and an unappropriated amount of ₱509.60 million, inclusive of net income for the period of ₱175 million, net of cash dividends declared on March 2019 amounting to ₱748 million and re-statement of retained earnings of ₱652.61 million for the PFRS 15.

As of March 31, 2019, the net unrealized loss on financial assets at FVOCI/AFS investments reflected in the equity account amounted to ₱24.74 million. Compared with ₱48.71 million as of December 31, 2018, the loss went down by 49.19% or by ₱23.96 million due to higher fair value of the securities. The remeasurement gain on pension benefits of ₱19.33 million as of March 31, 2019 was lower by 17.87% or ₱4.21 million than the ₱23.54 million as of December 31, 2018.

PART II – OTHER INFORMATION

PSE previously disclosed all material information in a report on SEC Form 17-C. There are no other material information not previously reported in Form 17-C.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the Issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer	....	**THE PHILIPPINE STOCK EXCHANGE, INC.**
Signature and Title	....	**RAMON S. MONZON** **President & CEO**
Signature and Title	....	**OMELITA J. TIANGCO** **Treasurer**
Signature and Title	....	**ROBERTO JOSE R. JIMENEZ** **AVP and Head** **Controllership and Treasury Division**
Date	....	**May 14, 2019**

THE PHILIPPINE STOCK EXCHANGE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	March 31, 2019	December 2018 (Audited)	March 31, 2018
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 5, 6 and 7)	**₱4,039,607,384**	₱3,868,149,919	₱3,334,275,381
Financial assets at fair value through profit or loss (FVTPL) (Notes 5, 6 and 8)	**291,363,697**	259,808,893	292,566,118
Financial assets at fair value through OCI (Notes 5, 6 and 9)	**9,998,160**	9,952,565	-
Available-for-sale (AFS) investments (Notes 5, 6 and 9)	**-**	-	5,052,404
Receivables (Notes 5, 6 and 10)	**129,268,142**	99,383,655	103,763,004
Other current assets (Note 11)	**103,519,270**	50,110,966	88,447,003
Total Current Assets	**4,573,756,653**	4,287,405,998	3,824,103,911
Noncurrent Assets			
Long-term financial assets at FVOCI (Notes 5, 6 and 9)	**589,769,368**	466,248,005	-
Long-term available-for-sale investments (Notes 5, 6 and 9)	**-**	-	491,564,739
Property and equipment (Note 12)	**1,457,370,271**	1,497,375,096	1,465,792,347
Investment in an associate (Note 13)	**273,036,089**	273,036,089	359,204,275
Deferred tax assets - net Pension asset (Note 26)	**269,407,448**	366,047	10,782,315
Pension asset (Note 26)	**43,416,000**	49,788,768	29,377,931
Other noncurrent assets (Notes 5, 6 and 14)	**28,486,854**	49,273,340	48,989,010
Total Noncurrent Assets	**2,661,486,031**	2,336,087,345	2,405,710,617
	₱7,235,242,684	₱6,623,493,343	₱6,229,814,528
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and other current liabilities (Notes 5, 6 and 15)	**₱167,386,465**	₱244,746,692	₱220,100,886
Provision (Note 30)	**20,000,000**	20,000,000	-
Dividend payable	**747,998,266**	-	-
Income tax payable	**118,490,824**	93,901,670	54,322,243
Deferred fees and others (Note 16)	**193,303,208**	30,483,028	292,723,695
Current portion of contract liabilities (Notes 16)	**273,237,683**	12,002,103	-
Total Current Liabilities	**1,520,416,446**	401,133,493	567,146,825
Noncurrent Liability			
Pension liability (Note 26)	**12,247,186**	11,728,753	13,937,843
Deferred tax liabilties – net	**-**	3,022,100	-
Contract liabilities – net of current portion	**699,604,277**	239,658	-
Total Noncurrent Liabilities	**711,851,463**	14,990,511	13,937,843
Total Liabilities	**2,232,267,909**	416,124,004	581,084,668
EQUITY			
Capital stock (Notes 1 and 18)	**85,008,800**	85,003,850	84,992,209
Additional paid-in capital (Notes 1 and 18)	**3,892,784,658**	3,891,433,938	3,961,145,224
Subscribed capital stock – net	**4,046,216**	3,947,219	4,028,397
Treasury stock (Note 18)	**(68,000,006)**	(68,000,006)	(68,000,006)
Retained earnings (Note 18):			
Unappropriated	**526,259,413**	1,751,863,349	979,067,982
Appropriated	**121,000,000**	121,000,000	121,000,000
Donated capital (Note 17)	**447,287,985**	447,287,985	586,829,985
Unrealized loss on financial assets at FVOCI/AFS - net (Note 9)	**(24,745,856)**	(48,706,567)	(35,593,536)
Remeasurement gain on pension benefits and others- net (Note 26)	**19,333,566**	23,539,571	15,259,607
Total Equity	**5,002,974,775**	6,207,369,339	5,648,729,860
	₱7,235,242,684	₱6,623,493,343	₱6,229,814,528

See accompanying Notes to Consolidated Financial Statements.

THE PHILIPPINE STOCK EXCHANGE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended March 31	
	2019	2018
REVENUES (Note 19)	**₱295,797,731**	₱298,442,752
COST AND EXPENSES		
Cost of services(Note 21)	**70,993,758**	70,259,267
General and administrative expenses (Note 22)	**90,829,162**	92,226,245
	161,822,919	162,485,511
OTHER INCOME (EXPENSES)		
Interest income (Note 20)	**54,104,648**	8,822,251
Mark-to-market gain (loss) on FVTPL (Note 8)	**18,708,789**	(20,501,992)
Dividend income (Note 8)	**1,311,031**	1,582,451
Others – net	**(28,133)**	1,089,053
	74,096,334	(9,008,238)
INCOME BEFORE INCOME TAX	**208,071,146**	126,949,002
PROVISIONS FOR INCOME TAX	**33,068,631**	33,096,465
NET INCOME	**175,002,515**	93,852,537
OTHER COMPREHENSIVE INCOME		
Items to be reclassified to profit or loss in subsequent periods -		
Change in the fair value of financial assets at FVOCI/AFS	**23,960,711**	(17,025,626)
Remeasurement gains (losses) on pension benefits - net	**(4,206,005)**	2,166,763
TOTAL COMPREHENSIVE INCOME	**₱194,757,221**	₱78,993,674
Basic Earnings Per Share	**₱2.06**	₱1.26
Diluted Earnings Per Share	**₱2.06**	₱1.26

See accompanying Notes to Consolidated Financial Statements

Earnings Per Share (EPS)	Three Months as of March 31		For the Last 12 Months	
	2019	2018	2019	2018
NET INCOME (a)	175,002,515	93,852,537	808,255,882	766,412,583
(b) Weighted average shares - Basic	84,899,196	74,338,740	84,899,196	74,338,740
(c) Weighted average shares – Diluted	85,133,982	74,562,476	85,133,982	74,562,476
Basic EPS (a/b)	2.06	1.26	9.52	10.31
Diluted EPS (a/c)	2.06	1.26	9.49	10.28

THE PHILIPPINE STOCK EXCHANGE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Capital Stock	Subscribed Capital Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings: Unappropriated	Retained Earnings: Appropriated	Donated Capital	Net Unrealized Gain on Available for-sale Investments	Remeasurement losses on pension benefits	Total
Balances at January 1, 2019	**₱85,003,850**	**₱3,947,219**	**₱3,891,433,938**	**(₱68,000,006)**	**₱1,751,863,349**	**₱121,000,000**	**₱447,287,985**	**(₱48,706,567)**	**₱23,539,571**	**₱6,207,369,338**
Net income	–	–	–	–	**175,002,515**	–	–	–	–	**175,002,515**
Other comprehensive income	–	–	–	–	–	–	–	**23,960,711**	**(4,206,005)**	**19,754,706**
Total comprehensive income	–	–	–	–	**175,002,515**	–	–	**23,960,711**	**(4,206,005)**	**194,757,221**
Share based payments	**4,950**	**98,997**	**1,350,720**	–	–	–	–	–	–	**1,454,667**
Stock rights offering	–	–	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	–	**(747,998,266)**	–	–	–	–	**(747,998,266)**
Adjustments (PFRS 15)	–	–	–	–	**(652,608,185)**	–	–	–	–	**(652,608,185)**
Balances at March 31, 2019	**₱85,008,800**	**₱4,046,216**	**₱3,892,784,658**	**(₱68,000,006)**	**₱526,259,412**	**₱121,000,000**	**₱447,287,985**	**(₱24,745,856)**	**₱19,333,566**	**₱5,002,974,775**

	Capital Stock	Subscribed Capital Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings: Unappropriated	Retained Earnings: Appropriated	Donated Capital	Gain on Available for-sale Investments	Remeasurement losses on pension benefits	**Total**
Balances at January 1, 2018	₱73,480,413	₱5,374,731	₱1,072,514,796	(₱68,000,005)	₱1,546,046,556	₱121,000,000	₱586,829,985	(₱18,567,910)	₱13,092,844	₱3,331,771,408
Net income	–	–	–	–	93,852,537	–	–	–	–	93,852,537
Other comprehensive income	–	–	–	–	–	–	–	(17,025,626)	2,166,763	(14,858,863)
Total comprehensive income	–	–	–	–	93,852,537	–	–	(17,025,626)	2,166,763	78,993,674
Share based payments	11,796	(1,346,334)	2,888,630,428	–	–	–	–	–	–	2,887,295,890
Stock rights offering	11,500,000									11,500,000
Cash dividends	–	–	–	–	(660,831,111)	–	–	–	–	(660,831,111)
Adjustments	–	–	–	(1)	–	–	–	–	–	(1)
Balances at March 31, 2018	₱84,992,209	₱4,028,397	₱3,961,145,224	(₱68,000,006)	₱979,067,982	₱121,000,000	₱586,829,985	(₱35,593,536)	₱15,259,607	₱5,648,729,860

THE PHILIPPINE STOCK EXCHANGE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱208,071,146**	₱126,949,002
Adjustments for:		
Depreciation and amortization	**39,956,348**	31,092,553
Interest income	**(54,104,648)**	(8,822,251)
Dividend income	**(1,311,031)**	(1,582,451)
Mark-to-market(gains)loss on financial assets at FVPL	**(18,708,789)**	20,501,992
Net movement in pension	**(2,166,763)**	(2,166,763)
Foreign exchange gain	**28,133**	(1,089,053)
Reversal of provision for decline in value of equity securities	**-**	(100,000)
Share based payment expense	**267,948**	82,888
Gain on sale of property and equipment	**(170,536)**	-
Income before working capital changes	**176,195,335**	164,865,917
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Trade and other receivables – net	**(29,884,487)**	(33,108,289)
Prepayments and other current assets	**(53,408,304)**	(6,119,200)
Increase (decrease) in:		
Trade and other payables	**(70,273,536)**	(60,783,723)
Deferred fees and others	**258,213,480**	275,186,799
Cash generated from operations	**280,842,487**	340,041,504
Interest received	**59,339,189**	7,144,747
Interest paid	**(8,479,477)**	(128,165)
Cash provided by operating activities	**331,702,199**	347,058,086
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of/additions to:		
Financial assets at FVOCI	**(168,775,805)**	(26,932,079)
Property and equipment	**(15,695,346)**	(38,220,644)
Proceeds from maturities/withdrawal/sale of:		
Available-for-sale investments	**-**	109,019
Long-term financial assets at fair value through OCI	**816,686**	395,100
Property and equipment	**1,301,000**	-
Dividend received	**1,311,031**	1,582,451
Decrease (increase) in other noncurrent assets	**20,786,486**	1,134,830
Net cash provided by (used in) investing activities	**(160,255,948)**	(61,931,323)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from stock rights offering	**-**	2,897,999,600
Dividend payment	**-**	(660,831,111)
Net cash provided by (used in) financing activities	**-**	2,237,168,489
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	**171,446,251**	2,522,295,252
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**11,214**	318,928
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,868,149,919**	811,661,201
CASH AND CASH EQUIVALENTS AT END OF MARCH 31, 2019	**₱4,039,607,384**	₱3,334,275,381

1. Corporate Information

The Philippine Stock Exchange, Inc. (the Parent Company or the Exchange) was incorporated in the Philippines on July 14, 1992 as a non-stock corporation primarily to provide and maintain a convenient and suitable market for the exchange, purchase and sale of all types of securities and other instruments.

On August 8, 2001, the Parent Company was converted from a non-stock corporation to a stock corporation (demutualization) with an authorized capital stock of ₱36.8 million divided into 36.8 million shares with a par value of ₱1.00 per share as prescribed by Republic Act (RA) No. 8799 entitled "Securities Regulation Code" (SRC) and pursuant to a conversion plan approved by the Securities and Exchange Commission (SEC).

The salient features of the demutualization plan approved by the SEC on August 3, 2001 include, among others, the following:

a. Conversion of the Parent Company into a stock corporation by amending its Articles of Incorporation and by-laws;
b. Subscription of each member of 50,000 shares at ₱1.00 per share. The remaining balance of the Membership Contributions account of ₱277.47 million shall be treated as additional paid-in capital;
c. Issuance of trading rights to brokers in recognition of the existing seat ownership by the brokers;
d. Separation of ownership of shares and right to operate as a trading participant in the Exchange. The trading rights shall be transferable without time limitation; and
e. Imposition of a moratorium on the issuance of the new trading rights.

On December 15, 2003, the Parent Company's shares of stock were listed by way of introduction of its outstanding shares to comply with the requirements mandated by the SRC, particularly the conversion of the Parent Company into a stock corporation.

On January 28, 2004, the Parent Company offered 6,077,505 unissued shares to the private sector as part of its on-going effort to comply with SRC's mandate regarding the ownership of the Exchange (see Note 18). Gross proceeds from the private placement offering amounted to ₱726.3 million, inclusive of additional paid-in capital of ₱720.2 million representing premium over the par value of the common stock. Expenses related to the offering amounting to ₱21.1 million were recorded as a reduction of the additional paid-in capital (see Note 18).

On September 10, 2008, the Parent Company's BOD approved the issuance of the 100% stock dividend declared by the Exchange to stockholders of record as of December 13, 2013. On September 12, 2008, the SEC approved to increase the authorized shares of the Company by 61.0 million shares. The total number of shares issued in 2008 was 15.2 million shares (see Note 18).

The total number of shares issued in 2011 was 30.5 million shares (see Note 18).

On December 10, 2013, the Parent Company's BOD approved the issuance of the 20% stock dividend declared by the Exchange on October 22, 2008 to stockholders of record as of September 26, 2008. On November 14, 2013, the SEC approved to increase the authorized shares of the Company by 22.2 million shares. The total number of shares issued in 2013 was 12.2 million shares (see Note 18).

On October 25, 2017, the BOD approved the stock rights offering (SRO) to stockholders of up to 11.50 million common shares to be issued under terms and conditions as determined by the Exchange. This is part of the compliance plan to align shareholder ownership with the 20% limit set by SRC. The proceeds from the stock rights offering will be used to fund the acquisition of PDSHC and capital requirements of the Exchange (see Note 18).

On February 23, 2018, the price of the Exchange's SRO was determined. The Exchange offered 11,500,000 shares to eligible stockholders of record as of March 1, 2018 at ₱252.00 per rights share. The offer period was from March 12 to 16, 2018. On March 22, 2018, the Exchange successfully listed the 11,500,000 shares in the Philippine Stock Exchange (PSE). Gross proceeds from the stock rights offering amounted to ₱2.90 billion, inclusive of additional paid-in capital of ₱2.89 billion representing premium over the par value of the common stock. Expenses related to the offering amounting to ₱73.35 million were recorded as a reduction of the additional paid-in capital (see Note 18).

Securities Clearing Corporation of the Philippines (SCCP), a 100% owned subsidiary of the Exchange, is a domestic corporation organized to carry out and strictly implement the following functions: (1) Delivery-versus-Payment trade settlement; (2) fails management and administration of the Clearing and Trade Guaranty Fund (CTGF); and (3) risk monitoring and management.

To ensure compliance of trading participants, SCCP is authorized by the SEC to impose fines and penalties and other sanctions as approved by SCCP's Board of Directors (BOD).

SCCP was given a temporary license to operate by the SEC and started its commercial operations on January 3, 2000. On January 15, 2002, the SEC approved SCCP's request for a permanent license as a clearing agency subject to its compliance with the requirements of Section 42 of the SRC entitled "Registration of Clearing Agency".

Capital Markets Integrity Corporation (CMIC), a 100% owned subsidiary of the Exchange, is a stock corporation organized on March 14, 2011 to function as the independent audit, surveillance and compliance unit of the Exchange with the authority to adopt, enforce, implement and interpret rules, guidelines and securities laws applicable to the operations and dealings of trading participants and other market participants of the Exchange.

The registered office address of the Parent Company is 6th to 10th Floors, The PSE Tower, 5th Avenue cor. 28th Street, Bonifacio Global City, Taguig City.

2. **Basis of Preparation, Statement of Compliance, Basis of Consolidation and Changes in Accounting Policies and Disclosures**

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL) and financial assets at fair value through other comprehensive income (FVOCI) and available-for-sale (AFS) investments, which are measured at fair value. The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with PFRS, which include the availment of a one year deferral of the application of PFRS 15 to 2018 listing fees granted by the SEC in its letter dated February 18, 2019 approved in a meeting held by the Commission en banc last February 14, 2019. Effective January 1, 2019, the Parent Company has fully complied with the requirements of PFRS 15 in recognizing revenue from listing fees, as further discussed below.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at March 31, 2019 and 2018. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; or
- The Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Parent Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any gain or loss in profit or loss; and
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The consolidated financial statements include the accounts of the Parent Company and the following wholly-owned subsidiaries:

	Principal Activities	Direct Ownership
SCCP	Clearing agency	100.00%
CMIC	Audit and surveillance unit	100.00%

As discussed on page 22 of Note 2 of consolidated financial statements, the Group's adoption of PFRS 15 did not have a significant impact on the 2018 consolidated financial statements. The Exchange availed of the one year relief given by the SEC with regard to the application of PFRS 15 on revenue from listing fees. The rest of PFRS 15 requirements were applied to all other revenue streams of the Group. Effective, January 1, 2019, the Parent Company adopted PFRS 15 in recognizing revenue from listing fees.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Except as otherwise indicated, the adoption of the following new and amended standards and interpretations did not have any significant impact on the Group's consolidated financial statements:

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 supersedes Philippine Accounting Standards (PAS) 11, *Construction Contracts*, PAS 18, *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. The five-step model is as follows:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue as the entity satisfies a performance obligation.

PFRS 15 requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with the customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, PFRS 15 requires extensive disclosures.

The Group adopted PFRS 15 using the modified retrospective method of adoption with the date of initial application of January 1, 2018. Under this method, PFRS 15 can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the method only to those contracts that are not completed as at January 1, 2019.

The cumulative effect of initially applying PFRS 15 is recognized at the date of initial application as an adjustment to the retained earnings as at January 1, 2019.

Deferral of the Application of PFRS 15 on Revenue from Listing Fees

In September 2018, the International Financial Reporting Standards (IFRS) Interpretations Committee received a submission about whether a stock exchange (entity) provides an admission service that is distinct from an ongoing listing service. The submission was finalized by the IFRS Interpretations Committee on January 16, 2019 and it was concluded that a stock exchange entity does not promise to transfer any good or service to the customer other than the service of being listed in the stock exchange. In other words, the entity transfers only one service to the customer and accordingly there is one performance obligation in the contract.

In a letter dated February 18, 2019, the SEC provided a reply that refers to the Exchange's letter dated February 7, 2019 requesting for a deferral of the application of PFRS 15 on listing fees. Under the said reply letter, the Commission en banc, in its meeting held on February 14, 2019, resolved to approve the request of the Exchange subject to the following conditions:

1. The deferral will only be applicable to the Exchange and is valid only for a period of one (1) year. Effective January 1, 2019, the Group is required to fully comply with the requirements of PFRS 15 and any subsequent amendments thereof, retrospectively.

2. The deferral of application of the requirements of PFRS 15 should only be applied to the listing fee:

    - Assess the goods or services promised in a contract with a customer and to identify each promise to transfer a good or service as a performance obligation;
    - Determine the transaction price of the contract;
    - Allocate the transaction price to each performance obligation (or distinct good or service) on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract; and
    - Recognize revenue when a performance obligation is satisfied by transferring promised good or service to a customer (which is when the customer obtains control of that good or service).

3. The Exchange is required to disclose in the notes to the financial statements the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the financial statements had the concerned application guideline been adopted.

The Exchange availed of the deferral of the revenue recognition of its revenue from listing fees in 2018.

Effective January 1, 2019, the Group adopted PFRS 15 in recognizing revenue from listing fees by identifying the portion of the transaction price applicable to the performance obligation that is satisfied by transferring the promised service to the customer at point in time and the portion that needs to be recognized overtime as the performance obligation is satisfied, i.e. amortized over the average listed life of the companies.

- PFRS 9, *Financial Instruments*

PFRS 9 replaces the provisions of PAS 39, *Financial Instruments: Recognition and Measurement,* that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of PFRS 9 from January 1, 2018 resulted in changes in accounting policies but did not have a material impact on the consolidated financial statements. In accordance with the transitional provisions of PFRS 9, comparative figures have not been restated, thereby resulting in the following impact:

a. Comparative information for prior periods are not restated. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosures required in PFRS 7 are retained for the comparative periods.

b. The accounting policies for both the current period and the comparative periods, one applying PFRS 9 and one applying PAS 39 are disclosed in the notes to the consolidated financial statements.

c. The difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application are recognized in the opening retained earnings or other component of equity, as appropriate.

d. As comparative information is not restated, the Group is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with PAS 1, *Presentation of Financial Statements.*

Classification and Measurement

Financial Assets

From January 1, 2018 (date of initial application of PFRS 9), the Group classifies its financial assets in the following measurement categories: (i) those to be measured subsequently at fair value (either through OCI or through profit or loss), and (ii) those to be measured at amortized cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial assets not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

- *Debt instruments.* Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments: (i) amortized cost; (ii) FVOCI; and (iii) FVTPL.

The Group has debt instruments at FVOCI and amortized cost. Assets that are held both for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included in interest income using the effective interest rate method.

Assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and which contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at amortized cost.

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognized in profit or loss in the period in which it arises.

- *Equity instruments.* The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity instruments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVTPL are recognized in other gains (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity instruments measured at FVOCI are not reported separately from other changes in fair value.

On January 1, 2018, the Group assessed which business model apply to the financial assets held by the Group and has classified its financial assets into the appropriate categories. There was no material impact on the resulting reclassification.

A reconciliation between the carrying amounts under PAS 39 to the balances reported under PFRS 9 as at January 1, 2019 is presented below.

	Original Measurement Category under PAS 39	**New Measurement Category under PFRS 9**	**Original Carrying Amount under PAS 39**	**New Carrying Amount under PFRS 9**
Financial assets:				
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	₱3,868,149,919	₱3,868,149,919
Receivables	Loans and receivables	Financial assets at amortized cost	100,901,700	100,901,700
Investment management agreement account	Financial assets at FVTPL	Financial assets at FVTPL	259,808,893	259,808,893

Investments in government securities and corporate bonds	AFS investments	Financial assets at FVOCI	475,000,750	512,916,376
Investment in equity securities	AFS investments	Financial assets at FVTPL	1,200,000	1,200,000
Deposits in bank	Loans and receivables	Financial assets at amortized cost	689,956	689,956
			₱4,743,751,218	₱4,743,751,218

Financial Liabilities

Financial liabilities are classified as at FVTPL when the financial liability is either held-for-trading or it is designated at FVTPL.

Under PFRS 9, Management may designate a financial liability as at FVTPL upon initial recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognizing gains or losses on them on a different basis; or

- The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

The Group's adoption of PFRS 9 has no impact on its financial liabilities.

Impairment of Financial Assets at Amortized Cost and Financial Assets at FVOCI

PFRS 9 requires that the Group record expected credit losses (ECL) for all loans and other debt financial assets not classified as FVTPL, together with loan commitments and financial guarantee contracts. The adoption of PFRS 9 has fundamentally changed the Group's accounting for impairment loss for financial assets by replacing PAS 39's incurred loss approach with a forward looking ECL approach.

Incurred Loss versus Expected Credit Loss Methodology. The application of ECL significantly changes the Group's credit loss methodology and models. ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. The objective is to record lifetime losses on all financial instruments which have experienced a significant increase in credit risk (SICR) since their initial recognition. As a result, ECL allowances are measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a SICR since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events over the expected life of a financial instrument. In comparison, the previous incurred loss model recognizes lifetime credit losses only when there is objective evidence of impairment while ECL model eliminated the threshold or trigger event required under incurred loss model, and lifetime ECL are recognized earlier.

Staging Assessment

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all non-impaired financial instruments which have not experienced a SICR since initial recognition. The Group recognizes a 12-month ECL for Stage 1 financial instruments.

- Stage 2 is comprised of all non-impaired financial instruments which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

Financial instruments are classified as Stage 3 when there is objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The ECL model requires a lifetime ECL for impaired financial instruments

For cash in bank and cash equivalents the Group has applied the General Approach and has calculated ECL based on 12-month ECL. For trade receivables, deposits and other trade receivable, the Group applied the simplified approach permitted by PFRS 9, which requires lifetime ECL to be recognized from initial recognition of the receivables. For debt instruments measured at FVOCI, the Group applied the General Approach where the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a SICR since origination, the allowance will be based on the lifetime ECL. As at January 1, 2018, the Group assessed that there was no SICR related to its financial assets at amortized cost and financial assets at FVOCI.

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. Entities are required to apply the amendments to: (1) share-based payment transactions that are unvested or vested but unexercised as of January 1, 2018, (2) share-based payment transactions granted on or after January 1, 2018 and to (3) modifications of share-based payments that occurred on or after January 1, 2018. Retrospective application is permitted if elected for all three amendments and if it is possible to do so without hindsight.

The Group has assessed that the adoption of the amendments has no impact on the consolidated financial statements.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

The amendments are not applicable to the Group since none of the entities within the Group have activities that are predominantly connected with insurance or issue insurance contracts.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures*, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent. Retrospective application is required.

  The Group has assessed that the adoption of these amendments has no impact on the financial statements.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Retrospective application of the amendments is not required and is only permitted if this is possible without the use of hindsight.

  Since the Group's current practice is in line with the clarifications issued, the Group assessed that the adoption of the amendments had no effect on its consolidated financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transaction for each payment or receipt of advance consideration. Retrospective application of this interpretation is not required.

  Since the Group's current practice is in line with the clarifications issued, the Group assessed that the adoption of the amendments has no effect on its consolidated financial statements

Future Changes in Accounting Policies

The Group did not early adopt the following new standards, amendments and improvements to PFRS and Philippine Interpretations that have been approved but are not yet effective. The Group does not expect these changes to have a significant impact on its consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

  The Group has assessed that the adoption of these amendments will not have any impact on the consolidated financial statements of the Group.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

  PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Group has adopted PFRS 16, effective January1, 2019.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and

- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Group.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures.*

The amendments should be applied retrospectively and are effective from January 1, 2019, with early application permitted.

The Group has assessed that the adoption of these amendments will not have any impact on the 2018 financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes,* and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- o Whether an entity considers uncertain tax treatments separately.
- o The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- o How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- o How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Group is currently assessing the impact of adopting this interpretation.

- *Annual Improvements to PFRSs* 2015-2017 Cycle

o Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

o Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted.

The Group is currently assessing the impact of adopting these amendments.

o Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

These amendments are currently not applicable to the Group but may apply to future transactions.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*

  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

  These amendments will apply on future business combinations of the Group.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach).
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted. These amendments are currently not applicable to the Group.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures. These amendments are currently not applicable to the Group but may apply to future transactions.

3. Summary of Significant Accounting Policies and Financial Reporting

Current versus Noncurrent Classification
The Group presents assets and liabilities in consolidated statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanges or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement and are subject to an insignificant risk of change in value.

Determination of Fair Value

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 **-** Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

Level 2 **-** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

Level 3 **-** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group determines the policies and procedures for both recurring and non-recurring fair value measurements. For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

The Group recognizes transfers into and transfers out of fair value hierarchy levels by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) as at the date of the event or change in circumstances that caused the transfer.

Financial Instruments

Date of Recognition. The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Recognition, Measurement, Derecognition, and Impairment of Financial Instruments (Upon Adoption of PFRS 9)

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as financial assets measured at amortized cost, FVTPL and FVOCI. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVTPL, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognized initially at fair value and in the case of loans and borrowings, inclusive of directly attributable transaction costs (referred to herein as "debt issue costs").

The Group has no financial liabilities at FVTPL at March 31, 2019.

Subsequent Measurement. For purposes of subsequent measurement financial assets are classified in three categories:

- Financial assets at FVTPL

  Financial assets at FVTPL comprise of quoted equity instruments which the Group has not irrevocably elected, at initial recognition or transition, to classify at FVOCI.

  The Group has no financial asset designated at FVTPL on initial recognition or transition.

As at March 31, 2019, the Group has financial assets classified as financial assets at FVTPL (see Note 8).

- Financial Assets at Amortized Cost

This category includes financial assets: (a) which are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and (b) which contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As at March 31, 2019, this category includes cash and cash equivalents, receivables, deposits in bank and refundable deposits. (see Notes 7, 10 and 11)

- Financial Assets at FVOCI

Financial Assets at FVOCI with recycling

This category includes financial assets: (a) which are held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets; and (b) which contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

As at March 31, 2019, this category includes investments in government securities and corporate bonds (see Note 9).

Financial Assets at FVOCI without recycling

Financial assets at FVOCI comprise of unquoted equity instruments which the Group has irrevocably elected, at initial recognition or transition, to classify at FVOCI.

The Group has no financial asset designated at FVOCI on initial recognition or transition.

- Financial liabilities

  For purposes of subsequent measurement, financial liabilities are classified either as financial liabilities at FVTPL or financial liabilities at amortized cost.

  After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method.

  Debt issue costs are amortized over the life of the debt instrument using the EIR method. Debt issue costs are netted against the related loans and borrowings allocated correspondingly between the current and noncurrent portion.

  Gains and losses are recognized in the profit or loss when the liabilities are derecognized, as well as through the amortization process.

  As at March 31, 2019, this category includes accounts payable and other current liabilities (excluding payable to government agencies) (see Note 15).

Derecognition of Financial Assets and Financial Liabilities

Financial Assets. An entity shall derecognize a financial asset when, and only when:

- the contractual rights to the cash flows from the financial asset expire; or
- the Group transfers the contractual rights to receive the cash flows of the financial asset or retains the contractual rights to receive the cash flows of the financial assets, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement where:

  a. the Group has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition;

  b. the Group is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and

  c. the Group has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

When the Group transfers a financial asset, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. The transfer of risks and rewards is evaluated by comparing the Group's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset. The Group has retained substantially all the risks and rewards of ownership of a financial asset if its exposure to the variability in the present value of the future net cash flows from the financial asset does not change significantly as a result of the transfer. The Group has transferred substantially all the risks and rewards of ownership of a financial asset if its exposure to such variability is no longer significant in relation to the total variability in the present value of the future net cash flows associated with the financial asset.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets

The Group's accounting for impairment losses for financial assets uses a forward-looking ECL approach. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows the Group expects to receive. For cash in bank and cash equivalents, the Group has applied the General Approach and has calculated ECL based on 12-month ECL. For trade receivables, deposits and other current receivables, the Group has applied the simplified approach and has calculated ECL based on lifetime ECL. For debt financial assets at FVOCI, the Group has applied the General Approach and has calculated ECL based on either the 12-month ECL or lifetime ECL, if SICR is established. The Group takes into consideration the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Definition of Default and Credit-impaired Financial Assets. The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

- *Quantitative criteria.* For trade receivables and all other financial assets subject to impairment, default occurs when the receivable becomes 90 days past due.

- *Qualitative criteria.* The counterparty meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

  a. The counterparty is experiencing financial difficulty or is insolvent;
  b. The counterparty is in breach of financial covenant(s);
  c. An active market for that financial assets has disappeared because of financial difficulties;
  d. Concessions have been granted by the Group, for economic or contractual reasons relating to the counterparty's financial difficulty;
  e. It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; or
  f. Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

  The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to the ECL models throughout the Group's expected loss calculation.

Incorporation of Forward-looking information. The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. To do this, the Group has considered a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs.

Based on the Group's evaluation and assessment and after taking into consideration external actual and forecast information, the Group considers two or more economic scenarios and the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group considers macro-economic factors such as GDP growth rates and inflation rates of selected countries in its analysis.

Predicted relationship between the key indicators and default and loss rates on portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that is relevant to its assessment of the risk of default occurring on the financial instrument.

Determining the Stage for Impairment. At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Group from the time of origination.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Grouping of Instruments for Losses Measured on Collective Basis. For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the Group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes. The characteristics and any supplementary data used to determine groupings are outlined below.

Trade receivables – Groupings for collective measurement:

a. Trading Participants
b. Listed Companies
c. Data Vendors

The following credit exposures are assessed individually:

- All Stage 3 assets, regardless of the class of financial assets
- The cash and cash equivalents, investment in debt securities and other long-term investments, and other financial assets

Write-off Policy. The financial exposures of the Group are written-off based on Management's decision of whether receivables from counterparties are still collectible or not.

<u>Recognition, Measurement, Derecognition and Impairment of Financial Instruments (Prior to Adoption of PFRS 9)</u>

Initial Recognition of Financial Instruments. Financial assets are classified, at initial recognition, as financial assets at FVTPL, loans and receivables, held-to-maturity investments (HTM), AFS investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVTPL, transaction costs that are attributable to the acquisition of the financial asset.

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group has no HTM investments, financial liabilities at FVTPL and derivatives designated as hedging instruments in an effective hedge as at March 31, 2019.

Subsequent Measurement. The subsequent measurement of financial assets depends on their classification as follows:

Financial Assets at FVTPL. Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including any separated derivatives, are also classified under financial assets at FVTPL, unless these are designated as effective hedging instruments as defined by PAS 39. The Group has not designated any financial assets at FVTPL. Financial assets at FVTPL are carried in the consolidated statement of financial position at fair value with net changes in fair value presented as interest expense (negative net changes in fair value) or interest income (positive net changes in fair value) in profit or loss.

As at March 31, 2019, this category includes the Group's investment in management account which is classified as FVTPL as it is being managed on a fair value basis (see Note 8).

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in the "Interest income" account in profit or loss. The losses arising from impairment are recognized in profit or loss as part of "Others - net" account.

As at March 31, 2019, this category includes cash and cash equivalents, receivables (except advances to employees and suppliers) and refundable deposit included under "Other current assets" account and "Other noncurrent assets" account (see Note 14).

AFS Investments. AFS investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated as FVTPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS investments are subsequently measured at fair value with unrealized gains or losses recognized in OCI and credited in the AFS reserve in equity until the investments is derecognized, at which time the cumulative gain or loss is recognized in the consolidated statement of comprehensive income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve in equity to the consolidated statement of comprehensive income. Interest earned while holding AFS investments is reported as interest income using the EIR method.

The Group evaluates whether the ability and intention to sell its AFS investments in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if the management has the ability and intention to hold the assets for foreseeable future or until maturity.

The Group's AFS investments as at March 31, 2019 include investments in government debt securities, corporate bonds and quoted equity securities (see Note 9).

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations and borrowings. Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the EIR method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses are recognized in the consolidated statements of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process.

This category includes accounts payable and other current liabilities (excluding payable to government agencies) (see Note 16).

Derecognition of Financial Assets and Liabilities

Financial Asset. A financial asset (or, when applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss.

Impairment of Financial Assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets Carried at Amortized Cost. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are no longer included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to interest expense in profit or loss.

AFS Investments. For AFS financial assets, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in profit or loss is removed from OCI and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized in OCI.

The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest is recorded as part of interest income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

'Day 1 Difference'

Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1 difference') in the profit or loss unless it qualifies for recognition as some other type of asset. In cases where unobservable data is used, the difference between the transaction price and model value is recognized in the profit or loss only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1 difference' amount.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, even of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Other Current Assets

Other current assets include prepaid expenses which are expenses paid in advance and recorded as asset before they are utilized; and creditable withholding taxes, which will be applied in the following year against the Group's corporate income tax due.

Value-added Tax (VAT)

Revenue, expenses and assets are recognized, net of the amount of VAT. The net amount of VAT recoverable from, or payable to, the taxable authority is included as part of "Other current assets" or "Accounts payable and other current liabilities" accounts in the consolidated statement of financial position.

Property and Equipment

Property and equipment, except land, is stated at cost less accumulated depreciation and any impairment in value. The cost of the land, which is represented by shares in the Condominium Corporation donated to the Parent Company, is valued at the fair value of the land at the date of donation. Land is subsequently carried at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are charged against current operations.

Depreciation is calculated using the straight-line method over the following estimated useful life of the depreciable assets:

Buildings	25 years
Building improvements	10 years
Trading system equipment	3 to 7 years
Computer hardware and peripherals	3 to 5 years
Transportation equipment	3 to 5 years
Office furniture, fixtures, communication equipment and others	2 to 5 years

The residual values, useful lives and methods of depreciation are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

Fully depreciated assets are retained in the accounts until these are no longer in use and no further depreciation is credited or charged to current operations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the profit or loss in the year the asset is derecognized.

Construction in progress represents assets under construction and is stated at cost less any impairment in value. This includes the cost of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and readily for use.

Computer Software

Costs associated with developing or maintaining computer software programs are recognized as expense when incurred. Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets.

Computer software development costs recognized as assets are amortized using the straight-line method over their estimated useful life, but not exceeding a period of seven (7) years.

Investment in an Associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group's investment in an associate is accounted for under the equity method.

Under the equity method, investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share in the net asset of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment individually.

Profit or loss reflects the Parent Company's share in the result of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, where there has been a change recognized directly in the equity of the associate, the Group recognizes its share in any changes and discloses this, when applicable, in the consolidated statement of comprehensive income.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of comprehensive income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate. If the Group's share of losses of an associate equals or exceeds its interest on the associate, the Group discontinues recognizing its share of further losses.

The financial statements of the associate are prepared for the same reporting date as the Group. The accounting policies of the associate conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognized the loss as "Equity in net income of an associate" account in the consolidated statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognized any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of comprehensive income.

Impairment of Nonfinancial Assets

The carrying values of property and equipment, investment property, computer software, and investment in an associate are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss. After such a reversal, the depreciation or amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Deferred Fees
Deferred fees represent listing fees, listing maintenance fees and data feed fees (prior to adoption of PFRS 15) which are collected but not yet earned as at reporting date. This account is reversed and recognized as revenue when services are rendered.

Capital Stock and Additional Paid-in Capital
Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital stock.

Subscribed Capital Stock / Subscription Receivable
Subscribed shares are the shares of stock that will be issued upon completion of an installment purchase contract with an investor. Subscribed shares are presented net of subscription receivable.

Treasury Shares
The Parent Company's own equity instruments which are acquired (treasury shares) are deducted from equity and accounted for at cost. No gain or loss is recognized in the profit or loss on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

Retained Earnings
Retained earnings represent accumulated earnings, net of dividends declared and the cumulative effect of the retrospective application of change in accounting policy.

Donated Capital
Donations received, other than those contributions from equity participants, are recognized as income on the date of donation. Donations in kind are recognized at the fair value of asset received. Donated capital becomes available for dividend declaration when all conditions or restrictions are met such that the asset received will be for the exclusive use of the Exchange for at least a period of 10 years from the date of the occupancy.

Dividends on Common Shares
Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Parent Company. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Employee Stock Purchase Plan
All regular employees in good standing are granted options to purchase shares, subject to restrictions, terms and conditions provided in the Employee Stock Purchase Plan (ESPP). ESPP is considered an equity-settled transaction.

The cost of equity-settled transactions is measured by reference to the fair value at the date on which these are granted. The fair value is determined using the quoted market price at the time of payment.

The cost of equity-settled transactions is recognized with a corresponding increase in the equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (vesting date). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The amount reflected in the profit or loss represents the movement in cumulative expense recognized as at the beginning and end of the period. No expense is recognized for awards that do not ultimately vest.

Revenue Recognition (Upon Adoption of PFRS 15)
The following is a description of the principal activities separated by reportable segments from which the Group generates its revenue.

Listing-related Fees

Listing-related revenues mainly pertain to fees from approved applications for initial and additional listings in the PSE Main and Small, Medium and Emerging boards. The Exchange also recognizes annual fees for maintenance of listings which are directly affected by the change in number of shares and market price.

Processing Fees. These are non-refundable upfront fees paid to administer the requirements of the applying customer before the approval to listing. Revenue is recognized upon receipt of the payment and services are rendered on a period of 20-30 days. The Parent Company recognizes processing fees at point in time upon the receipt of payment from customers.

Initial Listing Fees. These are income from approved applications of Initial Public Offering (IPO) and computed based on percentage (%) of market capitalization. Initial listing fee shall be paid as soon as practicable which in no case shall be later than 15 calendar days from the receipt of approval. Following the requirements of PFRS 15 on listing fees, the revenue is recognized over time based on the duration of the customer's listing life. However, the application of this requirement was deferred for a period of one (1) year (see Note 2). As a result of the deferral, in 2018, the revenue from initial listing fees is recognized upon the listing of the new securities issued by the applicant. Effective January 1, 2019, the Parent Company recognizes point in time the portion of initial listing fees applicable to the performance obligation that is satisfied based on the level of services rendered before and until the securities are listed while the remaining portion is recognized overtime as the performance obligation is satisfied on the duration of the customer's average listing life.

Additional Listing Fees. These are income from issuances of new voting shares to any party by a listed customer. Such transactions may include private placements, share swaps, property-for-share swaps, or conversion of securities into equity. Following the requirements of PFRS 15 on listing fees, the revenue is recognized over time based on the duration of the customer's listing life. However, the application of this requirement was deferred for a period of one (1) year (see Note 2). As a result of the deferral, in 2018, the revenue from additional listing fees is recognized upon the listing of the additional securities issued by the applicant. Effective January 1, 2019, the Parent Company recognizes point in time the portion of additional listing fees applicable to the performance obligation that is satisfied based on the level of services rendered before and until the securities are listed while the remaining portion is recognized overtime from listing date as the performance obligation is satisfied on the remainder of the customer's average listing life from initial listing date.

Listing Maintenance Fees. These are annual fee paid by listed customer based on percentage of market capitalization. The revenue is earned by means of providing ongoing market access and maintenance of the listing (for example, maintaining technology, regulatory oversight and general operation). Revenue is recognized over-time by spreading out through the year.

Service related Fees

Service fees are revenue from services provided by Subsidiaries (SCCP and CMIC). These include Settlement and Clearing Services from SCCP; Seminars and Management Services from CMIC.

Settlement and Clearing Fee. These are income from services provided to clearing members that includes risk management functions during the settlement and clearing process of any eligible trades. Revenue from these services is recognized at a point in time.

Management Fee. Management fee is collected against failed Trading Participants (TP) in exchange of management services to facilitate settlement and liquidation of Customers' claims. Revenue from these services shall be recognized over-time based on five (5)-year minimum period from the date of take-over of the TP's book.

Seminar Fee. These are income from seminars and trainings conducted for the TP. Revenue is recognized when services are rendered.

Trading related Fees

Trading related fees are revenues that are directly affected by the trading volume of the Exchange for the period. These include Transaction/Block Sales, Data Feed and Subscription Fees.

Transaction Fees. These are revenues billed based on 0.005% of the peso value of the volume of the buying and selling of shares of stocks by Investors to Trading Participants/Brokers of the Parent Company. Revenue is recognized at point in time once the trading transaction is completed.

Block Sales. These revenue pertain to income computed from 0.005% of the peso value of the volume of the block sale transactions. Block sales are pre-arranged stock transactions by and among the broker dealers' clients or among two brokers representing their clients whose trading transactions do not go below ₱20.0 million. Revenue is recognized at point in time once the block sale transaction is completed.

Data Feed Fees. This revenue account consists of subscription and data feed fees paid by the data feed customers for the access to market data other than those basic information posted in the Exchange's disclosure website. Revenue is recognized over time on a monthly basis.

Subscription Fees. These are fees paid by the Trading Participants to allow them to transact in trading activities with the PSE through access in different PSE trading sites and facilities. Revenue is recognized over the period covered by the subscription.

Contract Balances

- *Trade Receivables.* A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

- *Contract Assets.* A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

- *Contract Liabilities.* A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration or an amount of consideration is due from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due, whichever is earlier. If the revenue recognized which is determined based average period of listing is lower than the amount collected as of date arising from the contract with the customer, a contract liability is recognized for the difference.

Revenue Recognition (Prior to PFRS 15)
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements.

The following specific recognition criteria must also be met before revenue is recognized:

Listing Fees. Listing fees for initial public offering are recognized upon listing of an applicant. The additional listing fees are recognized upon the listing of new securities issued by an applicant.

Listing Maintenance, Processing, Service Fees, and Trading-related Fees. Revenue is recognized when the related services are rendered.

Other Revenues. Revenue is recognized when the services are rendered or when penalties or fines are charged. This account mainly consists of trading and listing related fines and penalties for late payment, late submission of requirements, noncompliance and nondisclosure of listed companies.

Interest Income. Revenue is recognized as the interest accrues, taking into account the effective yield of the asset.

Dividend Income. Dividend income is recognized when the Group's right to receive the dividend payment is established.

Expense Recognition
Expenses are recognized in the profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in the profit or loss on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the consolidated statements of financial position as an asset.

Costs of Services. Costs of services constitute expenses that arise in the course of the ordinary activities of the Group and recognized as expenses once incurred. These normally include costs related to the performance and delivery of services to customers.

General and Administrative Expenses. General and administrative expenses constitute costs of administering the business and are recognized as expenses once incurred.

Pension and Other Post-employment Benefits
The Parent Company has a funded noncontributory defined benefit retirement plan while SCCP and CMIC have unfunded noncontributory defined benefit retirement plans. The defined benefit plans cover the Group's permanent employees. The retirement fund of the Parent Company is being administered by its trustees. The Group's retirement cost is actuarially determined using the projected

unit credit method. This method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Defined Benefit Plan. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting date reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and
- Remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which these arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can these be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Profit Sharing and Bonus Plans. The Group recognizes a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Parent Company's shareholders after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

Employee Leave Entitlements. Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting date. These are included in

"Accounts payable and other current liabilities" account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Termination Benefits. Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting date are discounted to their present value.

<u>Operating Leases</u>
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a Lessee. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

<u>Income Taxes</u>

Current Income Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at reporting date.

Deferred Income Tax. Deferred tax is provided, using the balance sheet liability method, on all temporary differences at reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investment in subsidiary.

Deferred tax assets and liabilities are measured at the tax rate applicable to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and deferred taxes related to the same taxable entity and the same taxation authority.

Income tax relating to OCI is recognized in OCI section of the consolidated statement of comprehensive income.

Foreign Currency-denominated Transactions
Transactions in foreign currencies are recorded using the exchange rate at the date of the transactions. Foreign exchange gains or losses arising from foreign currency-denominated transactions and revaluation adjustments of foreign currency-denominated assets and liabilities are credited to or charged against current operations. Monetary assets and liabilities denominated in foreign currencies are translated using the closing rate prevailing at reporting date. All differences are taken to profit or loss. For income tax purposes, foreign exchange gains and losses are treated as taxable income or deductible expenses when realized.

Earnings Per Share (EPS)
Basic EPS is calculated by dividing the net income for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, with retroactive adjustments for any stock dividends declared, if any.

Diluted EPS is calculated by dividing the net income for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, adjusted for the effects of potential dilutive shares. Stocks under the ESPP are deemed to have been converted into shares on the date of grant.

Operating Segments
For management purpose, the Group is organized and managed under a single business segment, the equity securities market, which is the basis upon which the Parent Company reports its primary segment information.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) where, as a result of a past event, it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money

and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the receipt of the reimbursement is virtually certain.

Contingencies
Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of assets embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statement when an inflow of economic benefits is probable.

4. **Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities, at the end of the reporting date. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as these become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be determinable under the circumstances.

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimates and assumptions, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Operating Lease Commitments – The Group as Lessee. The Group has entered into a property lease for its condominium units, office space and parking lots as a lessee. The Group has determined, based on evaluation of the terms and condition of the lease agreement, that the significant risks and rewards of ownership of the leased property was retained by the lessor and accounts this lease as operating lease. Other operating leases entered into by the Group include leases of office equipment, which are normally for a period of not more than a year, and/or renewable yearly. Rent expense arising from operating leases amounted to ₱0.43 million and ₱6.39 million for the periods ended March 31, 2019 and 2018, respectively (see Note 25).

Fair Values of Financial Assets and Liabilities. The Group carries certain financial assets at fair value. Fair value determinations for financial assets are based generally on listed or quoted market prices (see Note 6).

Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when these occur.

Impairment of Financial Assets at FVOCI and AFS Investments. Upon adoption of PFRS 9, the Group takes in to consideration the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment in assessing the impairment of its financial assets at FVOCI. For financial debt financial assets at FVOCI, the Group has applied the General Approach and has calculated ECL based on either the 12-month ECL or lifetime ECL, if SICR is established.

There were no provisions for impairment losses on the financial assets at FVOCI for the quarter ended March 31, 2019. The total carrying value of the financial assets at FVOCI amounted to ₱ 589.77 million, as at March 31, 2019 (see Note 9).

Prior, to the adoption of PFRS 9, the Group treats AFS investments as impaired when there is objective evidence that an investment or a group of investments is impaired.

AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' as greater than the period of six months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of comprehensive income.

In the case of debt instruments classified as AFS, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the profit or loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest is recorded as part of interest income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

The total carrying value of AFS investments is nil in March 2019 and ₱5.05 million as at March 31, 2018 (see Note 9).

Impairment of Receivables. Upon adoption of PFRS 9, allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the Group's historical credit loss experience and forward-looking factors specific to the debtors and the economic environment that may affect collectability. The Group applies the simplified approach designed to identify potential uncollectible receivables and is performed on a continuous basis throughout the period.

There were no provisions for impairment of receivables the period ended March 31, 2019. The Group recognized a reversal of impairment loss amounting to ₱0.15 million in 2019 (see Note 10).

Prior to adoption of PFRS 9, the Group annually reviews its receivables that are individually significant to assess impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it collectively assesses them for impairment. For the purpose of a collective evaluation of impairment, receivables are grouped based on credit risk. In determining whether an impairment loss should be recorded in the consolidated statements of profit or loss, the Group makes judgment as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the receivables. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers. Allowance for impairment losses is maintained at a level considered adequate to provide for potentially uncollectible receivables.

There were no provisions for impairment of receivables the period ended March 31, 2019. The Group recognized a reversal of impairment loss amounting to ₱0.15 million in 2019.

The carrying values of receivables amounted to ₱129.27 million and ₱103.76 million as at March 31, 2019 and 2018, respectively (see Note 10).

Estimation of Useful Lives of Property and Equipment and Computer Software. The Group estimated the useful lives of its property and equipment and computer software based on the period over which the assets are expected to be available for use. The Group reviews annually the estimated useful lives based on factors that include asset utilization, internal technical evaluation, technological changes, and anticipated use of the assets. A reduction in the estimated useful lives of property and equipment and computer software would increase the recorded depreciation and amortization expense and decrease the related assets.

There were no significant changes in the estimated useful lives of the Group's property and equipment and computer software as at March 31, 2019 and 2018.

Impairment of Investment in an Associate. The Group assesses impairment on its investment in an associate whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Among others, the factors that the Group considers important which could trigger an impairment review on its investment in an associate include the following:

- Deteriorating or poor financial condition;
- Recurring net losses; and
- Significant changes with an adverse effect on the technological, market, economic, or legal environment in which the associate operates have taken place during the period, or will take place in the near future.

There was no provision for impairment losses on the investment in an associate for the periods ended March 31, 2019 and 2018. The carrying value of the investment in an associate amounted to ₱273.04 million and ₱359.20 million as at March 31, 2019 and 2018, respectively (see Note 13).

Provisions. The Group recognizes a provision for an obligation resulting from a past event when it has assessed that it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. These assessments are made based on available evidence, including the opinion of experts. Future events and developments may result in changes in these assessments which may impact the Group's financial position and performance (see Note 31).

Contingencies. The Group is currently involved in legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with counsel handling the defense in these matters and is based upon an analysis of potential results. The outcome of these legal proceeding are not presently determinable. In the opinion of management and its legal counsel, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the consolidated financial position and results of operations (see Note 31).

Present Value of Pension Liability. The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost for pensions include discount rate and rate of salary increase.

The Group determines the appropriate discount rate at the end of each year. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. Other key assumptions for pension obligations are based in part on current market conditions.

While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension obligations.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit obligation, as well as the significant assumptions in estimating such obligation, are presented in Note 27.

Recognition of Deferred Tax Assets. The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The forecasted availability of taxable profit is based on past results and future expectations on revenue and expenses. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. In 2019, the Parent Company recognized deferred tax assets of ₱271.92 million corresponding to the retrospective adjustment of the beginning balance of retained earnings upon application of PFRS 15 on revenue from listing fees.

As at March 31, 2019 and 2018, the Group recognized total deferred tax assets amounting to ₱269.41 million and ₱10.78 million, respectively . SCCP's deferred tax asset, which were not recognized due to the use of the Optional Standard Deduction (OSD) method amounted to ₱3.29 million and ₱3.74 million, as at March 31, 2019 and 2018, respectively.

5. Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist of cash and cash equivalents, financial assets at FVTPL and AFS investments. The main purpose of these financial instruments is to raise finances for the Group's operations. The Group has other financial assets and liabilities such as receivables, other noncurrent assets - deposits in bank, accounts payable and other current liabilities excluding payable to government agencies, which arise directly from its operations. It is the Group's policy not to directly engage in the trading of financial instruments.

The main risks arising from the Group's financial instruments are liquidity risk, credit risk, equity price risk, interest rate risk and foreign currency risk. The Group's BOD, management and the Corporate Governance Officer review and agree on the policies of managing each of these risks as summarized below.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with the financial instruments. Liquidity risk may result from the inability to sell financial assets quickly at their fair values.

The Group seeks to manage its liquidity profile to be able to service its maturing liabilities and to finance capital requirements. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Exchange regularly evaluates its projected and actual cash flows.

To meet the requirement for liquidity, adequate cash flow is provided for administrative operating expenditures and capital expenses based on projected funding requirements. All excess funds are invested in an organized investment mix of short-term and long-term investments to achieve maximum returns.

The tables below summarize the maturity profile of the financial assets held for liquidity purposes and financial liabilities based on remaining contractual undiscounted payments.

	As at March 31, 2019				
	Within a Year	1–2 Years	More than 2 Years	No Maturity Date	Total
Financial Assets					
Financial assets at amortized cost:					
Cash and cash equivalents	**₱4,039,533,884**	**₱–**	**₱–**	**₱73,500**	**₱4,039,607,384**
Receivables:					
Receivables from:					
Trading participants	**42,441,352**	**–**	**320,947**	**–**	**42,762,299**
Data vendors	**24,946,968**	**–**	**–**	**–**	**24,946,968**
Listed companies	**19,316,430**	**–**	**2,324,278**	**–**	**21,640,708**
Accrued interest receivable	**8,015,554**	**–**	**–**	**–**	**8,015,554**
Receivable from other fund members	**1,116,760**	**–**	**–**	**–**	**1,116,760**
Others	**13,824,530**	**–**	**239,616**	**–**	**14,064,146**
Deposits in bank	**–**	**–**	**690,401**	**–**	**690,401**
Financial assets at FVTPL	**290,163,697**	**–**	**–**	**1,200,000**	**291,363,697**
Financial assets at FVOCI:					
Government debt securities -*					
Long-term	**–**	**26,308,219**	**467,035,669**	**–**	**493,343,888**
Corporate bonds:*					
Short-term	**33,209,981**	**–**	**–**	**–**	**33,209,981**
Long-term	**–**	**49,859,609**	**33,019,402**	**–**	**82,879,010**
	₱4,472,569,155	**₱76,167,828**	**₱503,630,313**	**₱1,273,500**	**₱5,053,640,796**
Financial Liabilities					
Other financial liabilities -					
Accounts payable and other current liabilities:					
Trade	**₱46,202,265**	**₱–**	**₱–**	**₱–**	**₱46,202,265**
Due to SEC	**34,962,037**	**–**	**–**	**–**	**34,962,037**
Accrued expenses**	**59,244,987**	**–**	**–**	**–**	**59,244,987**
Others	**5,403,166**	**–**	**–**	**–**	**5,403,166**
	₱145,812,455	**₱–**	**₱–**	**₱–**	**₱145,812,455**

**Including interest.*

***Excluding accrued taxes amounting to ₱1.28 million.*

	As at March 31, 2018				
	Within a Year	1–2 Years	More than 2 Years	No Maturity Date	Total
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	₱3,334,201,881	₱–	₱–	₱73,500	₱3,334,275,381
Receivables:					
Receivables from:					
Trading participants	67,999,566	–	320,947	–	68,320,513
Data vendors	19,268,587	–	–	–	19,268,587
Listed companies	1,736,063	–	2,474,278	–	4,210,341
Accrued interest receivable	5,713,175	–	–	–	5,713,175
Receivable from other fund members	6,048,373	–	–	–	6,048,373
Others	1,573,721	–	239,616	–	1,813,337
Other current assets -					
Refundable deposits	419,639	–	–	–	419,639
Other noncurrent asset -					
Deposits in bank	–	–	688,787	–	688,787
Financial assets at FVTPL	292,566,118	–	–	–	292,566,118
AFS investments:					
Government debt securities:*					
Short-term	5,079,526	–	–	–	5,079,526
Long-term	–	–	385,396,251	–	385,396,251
Corporate bonds -*					
Long-term	–	34,092,403	84,729,955	–	118,822,358
Equity securities	–	–	–	1,100,000	1,100,000
	₱3,734,606,648	₱34,092,403	₱473,849,834	₱1,173,500	₱4,243,722,385
Financial Liabilities					
Other financial liabilities -					
Accounts payable and other current liabilities:					
Trade	₱73,261,637	₱–	₱–	₱–	₱73,261,637
Due to SEC	96,835,212	–	–	–	96,835,212
Accrued expenses**	116,999,290	–	–	–	116,999,290
Others	15,352,115	–	–	–	15,352,115
	₱302,448,254	₱–	₱–	₱–	₱302,448,254

**Including interest.*
***Excluding accrued taxes amounting to ₱1.28 million.*

Credit Risk
Credit risk refers to the potential loss arising from any failure by the Group's counterparties to fulfill their contractual obligations, as and when they fall due. The Group's credit exposure arises mainly from receivables from trading participants on clearing related services for securities transactions, membership fees and other fees, receivable from listed companies on listing maintenance fees and receivable from market data vendors for data feed charges. To minimize credit risk, the Group monitors the financial health of clearing participants and takes note of participants with potential default.

The credit risk of the Group's financial assets arises from default of the counterparty with maximum exposure equal to the carrying amounts of these financial instruments. The fair values of these financial instruments are disclosed in Note 6.

The tables below show the aging analysis of the Group's financial assets as at March 31, 2019 and 2018:

	As at March 31, 2019						
		Past Due but not Impaired					
	Neither Past Due nor Impaired	**30 to 60 Days**	**60 to 120 Days**	**120 to 180 Days**	**Over 180 Days but Less than 360 Days**	**Past Due and Impaired**	**Total**
Financial assets at amortized cost:							
Cash and cash equivalents*	**₱4,039,533,884**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱4,039,533,884**
Receivables:							
Receivables from:							
Trading participants	**42,441,352**	**–**	**–**	**–**	**–**	**320,947**	**42,762,299**
Listed companies	**18,968,339**	**69,170**	**275,561**	**–**	**3,360**	**2,324,278**	**21,640,708**
Data vendors	**18,382,831**	**109,042**	**5,621,522**	**18,774**	**814,799**	**–**	**24,946,968**
Accrued interest receivable	**8,015,554**	**–**	**–**	**–**	**–**	**–**	**8,015,554**
Receivable from other fund members	**1,116,760**	**–**	**–**	**–**	**–**	**–**	**1,116,760**
Others	**1,220,323**	**3,719**	**12,450,940**	**1,834**	**147,715**	**239,616**	**14,064,146**
Other noncurrent assets - Deposits in bank	**690,401**	**–**	**–**	**–**	**–**	**–**	**690,401**
Financial assets at FVTPL	**291,363,697**	**–**	**–**	**–**	**–**	**–**	**291,363,697**
Financial assets at FVOCI:							
Government debt securities- Long-term	**487,489,514**	**–**	**–**	**–**	**–**	**–**	**487,489,514**
Corporate bonds:							
Short-term	**9,998,160**	**–**	**–**	**–**	**–**	**–**	**9,998,160**
Long-term	**102,279,854**	**–**	**–**	**–**	**–**	**–**	**102,279,854**
	₱5,021,500,669	**₱181,931**	**₱18,348,023**	**₱20,608**	**₱965,873**	**₱2,884,841**	**₱5,043,901,945**

**Excluding cash on hand amounting to ₱0.07 million.*

	As at March 31, 2018						
		Past Due but not Impaired					
	Neither Past Due nor Impaired	30 to 60 Days	60 to 120 Days	120 to 180 Days	Over 180 Days but Less than 360 Days	Past Due and Impaired	Total
Loans and receivables:							
Cash and cash equivalents*	₱3,334,201,881	₱–	₱–	₱–	₱–	₱–	₱3,334,201,881
Receivables:							
Receivables from:							
Trading participants	67,993,687	1,100	4,779	–	–	320,947	68,320,513
Listed companies	127,120	74,255	758,793	17,920	757,975	2,474,278	4,210,341
Data vendors	16,932,611	642,726	1,674,475	18,774	–	–	19,268,587
Accrued interest receivable	5,713,175	–	–	–	–	–	5,713,175
Receivable from other fund members	6,048,373	–	–	–	–	–	6,048,373
Others	1,522,210	1,590	13,440	4,480	32,000	239,616	1,813,337
Other current assets - Refundable deposits	419,639	–	–	–	–	–	419,639
Other noncurrent assets - Deposits in bank	688,787	–	–	–	–	–	688,787
Financial assets at FVTPL	292,566,118	–	–	–	–	–	292,566,118
AFS investments:							
Government debt securities:							
Short-term	5,052,404	–	–	–	–	–	5,052,404
Long-term	375,600,107	–	–	–	–	–	375,600,107
Corporate bonds - Long-term	114,864,632	–	–	–	–	–	114,864,632
Equity securities	1,100,000	–	–	–	–	–	1,100,000
	₱4,222,830,744	₱719,672	₱2,451,487	₱41,174	₱789,975	₱3,034,841	₱4,229,867,893

**Excluding cash on hand amounting to ₱0.07 million.*

Credit Quality of Financial Assets
The credit quality of financial assets is managed by the Group using high quality and standard quality as internal credit ratings.

High Quality. This pertains to a counterparty who is not expected by the Group to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies.

Standard Quality. Other financial assets not belonging to high quality financial assets are included in this category.

The credit analyses of the Group's financial assets that are neither past due nor impaired as at March 31, 2019 and 2018 are as follows:

	March 31, 2019		
	High Quality	**Standard Quality**	**Total**
Financial assets at amortized cost:			
Cash and cash equivalents*	**₱4,039,533,884**	**₱–**	**₱4,039,533,884**
Receivables:			
Receivables from:			
Trading participants	**42,762,299**	**–**	**42,762,299**
Listed companies	**21,640,708**	**–**	**21,640,708**
Data vendors	**24,946,968**	**–**	**24,946,968**
Accrued interest receivable	**8,015,554**	**–**	**8,015,554**
Receivable from other fund members	**1,116,760**	**–**	**1,116,760**
Others	**14,064,146**	**–**	**14,064,146**
Other noncurrent assets -			
Deposits in bank	**690,401**	**–**	**690,401**
Financial assets at FVTPL	**290,163,697**	**1,200,000**	**291,363,697**
Financial assets at FVOCI			
Government debt securities:			
Long-term	**487,489,514**	**–**	**487,489,514**
Corporate bonds:			
Short-term	**9,998,160**	**–**	**9,998,160**
Long-term	**102,279,854**	**–**	**102,279,854**
	₱5,042,701,945	**₱1,200,000**	**₱5,043,901,945**

**Excluding cash on hand amounting to ₱0.07 million.*

	March 31, 2018		
	High Quality	Standard Quality	Total
Loans and receivable:			
Cash and cash equivalents*	₱3,334,201,881	₱–	₱3,334,201,881
Receivables:			
Receivables from:			
Trading participants	68,320,513	–	68,320,513
Data vendors	19,268,587	–	19,268,587
Listed companies	4,210,341	–	4,210,341
Accrued interest receivable	5,713,175	–	5,713,175
Receivable from other fund members	6,048,373	–	6,048,373
Others	1,813,337	–	1,813,337
Other current assets -			
Refundable deposit	–	419,639	419,639
Other noncurrent assets -			
Deposits in bank	688,787	–	688,787
Financial assets at FVTPL	292,566,118	–	292,566,118
AFS Investments			
Government debt securities:			
Short-term	5,052,404	–	5,052,404

	March 31, 2018		
	High Quality	Standard Quality	Total
Loans and receivable:			
Long-term	375,600,107	–	375,600,107
Corporate bonds -			
Long-term	114,864,632	–	114,864,632
Equity securities	–	1,100,000	1,100,000
	₱4,228,348,254	₱1,519,639	₱4,229,867,893

**Excluding cash on hand amounting to ₱0.05 million.*

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instrument.

In the selection of investment, capital preservation is the primary consideration of the Group. With this objective, funds are basically invested in government bonds and securities and duly registered with the Registry of Scripless Securities under the name of the Group.

The Treasury Manager is responsible for the identification of investments that provide a relatively stable rate of return and submit these identified investments to the Vice President for Controllership and Treasury Division who endorses it to the Treasurer or President for approval. The Group is guided by a BOD who approved investment policy guidelines. Any exemption to the set policy is subject to the approval of the BOD. In addition, on a monthly basis, the Treasurer reports the investment portfolio performance and management's performance associated with the investment portfolio to the BOD.

Market Risk

The Group's market risk (the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in market variables) originates from its holdings of debt and equity securities. The value of a financial instrument may change as a result of changes in equity price, interest rates, foreign currency exchanges rates and other market changes.

Equity Price Risk. The Group's exposure to equity price pertains to its investments in quoted equity shares which are classified under financial assets at FVTPL on the consolidated statements of financial position. Equity price risk arises from the changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

The Group's policy is to maintain the risk to an acceptable level by monitoring regularly the movement of share prices to determine the impact on its financial position.

As at March 31, 2019 and 2018, the Group's exposure to equity price risk arising from equity securities investments is minimal.

Fair Value Interest Rate Risk. The Group follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. There are no floating rate financial assets and financial liabilities. Term deposits with banks and debt securities carry fixed rates throughout the period of deposit or placement.

Foreign Currency Risk. Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group's exposure to foreign currency risks arise primarily from US dollar transactions, mostly from cash and cash equivalents and receivables.

The Group's policy is to maintain foreign currency exposure within acceptable limits. The Group believes that its profile of foreign currency exposure on its assets and liabilities is within conservative limits.

The following table summarizes the exposure to foreign currency exchange risk as at March 31, 2019 and 2018:

	2019		2018	
	In USD	**In ₱**	In USD	In ₱
Financial assets:				
Cash and cash equivalents	**$337,125**	**₱17,699,071**	$484,118	₱25,251,590
Receivables	**461,207**	**23,889,623**	351,881	18,112,446
	$798,333	**₱41,588,694**	$835,999	₱43,364,036

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the exchange rate used was ₱52.50 to US$1.00 and ₱52.32 to US$1.00, the Philippine peso to U.S. Dollar exchange rate as at March 31, 2019 and 2018, respectively.

The table below indicates the effect of increase or decrease in US dollar exchange rate on income before income tax to which the Group has substantial exposures on its financial assets. The result calculates the effect of a reasonably possible change in the spot rates, when all other variables are held constant. Negative values in the table reflect a potential reduction in income while a positive amount reflects a potential increase.

2019		2018	
USD Strengthens/ (Weakens)	**Effect on Income Before Tax (in millions)**	USD Strengthens/ (Weakens)	Effect on Income Before Tax (in millions)
5.31%	**₱2.22**	0.42%	₱0.18
(5.31%)	**(2.22)**	(0.42%)	(0.18)

The increase in ₱ rate as against US$ rate demonstrates weaker functional currency while the decrease represents stronger Philippine peso value.

There is no other impact on the equity other than those already affecting the consolidated statement of profit or loss.

6. Fair Value Measurement and Hierarchy

The following table sets forth the carrying values and estimated fair values of financial assets, by category and by class, recognized as at March 31, 2019 and 2018:

	2019			
	Carrying Value	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Assets measured at fair value - Financial assets at FVTPL	**₱291,363,697**	**₱290,163,697**	**₱1,200,000**	**₱–**
Financial assets at FVOCI:				
Government securities -				
Long-term	**487,489,514**	**26,272,917**	**461,216,597**	**–**
Corporate bonds:				
Current	**9,998,160**	**9,998,160**	**–**	**–**

			2019	
	Carrying Value	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Long-term	**102,279,854**	**102,279,854**	**–**	**–**
	599,767,528	**138,550,931**	**461,216,597**	**–**
	₱891,131,225	**₱428,714,628**	**₱462,416,597**	**₱–**

			2018	
	Carrying Value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets measured at fair value - Financial assets at FVTPL	₱292,566,118	₱292,566,118	₱–	₱–
AFS investments:				
Government securities:				
Current	5,052,404	5,052,404	–	–
Long-term	375,600,107	26,529,376	349,070,730	–
Corporate bonds -				
Long-term	114,864,632	114,864,632	–	–
Equity securities	1,100,000	–	1,100,000	–
	496,617,143	146,446,413	350,170,730	–
	₱789,183,261	₱439,012,531	₱350,170,730	₱–

For the periods ended March 31, 2019 and 2018, there were no transfers made among the three levels in the fair value hierarchy. There are no financial instruments classified under level 3.

Cash and Cash Equivalents, Receivables excluding Advances to Employees and Suppliers, Refundable Deposits and Other Noncurrent Assets - Deposits in Bank, Accounts Payable and Other Current Liabilities excluding Payable to government agencies

The carrying amounts approximate the fair values because of their short-term nature or due to the immaterial effect of discounting when present value of future cash flows from these instruments are calculated.

7. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand and in banks	**₱ 125,668,552**	₱ 243,880,039
Cash equivalents	**3,913,938,832**	3,090,395,342
	₱4,039,607,384	₱ 3,334,275,381

Cash in banks earns interest at an average of 0.25% bank deposit rate. Time deposits are made for varying periods with original maturity of three months or less from dates of placement and earn interest rates ranging from 5.5% to 6.5% in 2019 and 2.0% to 3.325% in 2018.

Interest income earned from cash and cash equivalents amounted to ₱49.26 million and ₱4.18 million in 2019 and 2018, respectively (see Note 20).

8. Financial Assets at FVTPL

The Group entered into an investment management agreement with third party banks for the disposition of its investible funds at the banks' discretion subject to the investment guidelines set by the

Parent Company. The funds were invested in traded equity securities. The fair value of the investment as at March 31, 2019 and 2018 amounted to ₱291.36 million and ₱292.57 million, respectively.

In 2019, the financial assets at FVTPL also included quoted equity securities that were previously classified as AFS investments (see Note 9).

Mark-to-market loss on financial assets at FVOCI/AFS amounted to ₱24.74 million and ₱35.59 million in 2019 and 2018, respectively.

Dividend income earned on financial assets at FVTPL amounted to ₱1.31 million and ₱1.58 million in 2019 and 2018, respectively.

The fair values of the financial assets at FVTPL have been determined directly by reference to quoted prices in active markets or inputs other than quoted prices that are directly or indirectly observable (see Note 6).

9. Financial Assets at FVOCI/AFS Investments

This account consists of:

	2019	2018
Debt securities:		
Government debt securities	**₱487,489,514**	₱380,652,511
Corporate bonds	**112,278,014**	114,864,632
Total debt securities	**599,767,528**	495,517,143
Quoted equity securities	**–**	1,100,000
Total:		
Financial Assets at FVOCI	**599,767,528**	496,617,143
Less:		
Short-term Financial Assets at FVOCI	**9,998,160**	–
Short-term AFS investments	**–**	5,052,404
Long-term Financial Assets at FVOCI/AFS investments	**₱589,769,368**	₱491,564,739

Short-term financial assets at FVOCI as at March 31, 2019 pertain to corporate bonds with interest rate of 5.63% to 6.00% which will mature in April and July 2019. Short-term AFS investments as at March 31, 2018 pertain to government debt securities with interest rate of 2.13% which matured in May 2018.

Peso-denominated long-term government debt securities and corporate bonds earn annual interest rates ranging from 3.25% to 6.00% in 2019 and 3.25% to 6.00%% in 2018. Long-term government debt securities and corporate bonds as at March 31, 2019 and 2018 will mature starting 2020 to 2032.

Interest income earned from financial assets at FVOCI amounted to ₱4.58 million in 2019 and ₱4.48 million in 2019 and 2018, respectively (see Note 20).

The movement of net unrealized loss on financial assets at FVOCI as at March 31, 2019 and AFS investments as at March 31, 2018 follows:

	2019	2018
Balance at beginning of year	**(₱48,706,567)**	(₱18,567,910)
Net change in fair value	**23,960,711**	(17,025,626)
Balance at end of year	**(₱24,745,856)**	(₱35,593,536)

10. Receivables

This account consists of:

	2019	2018
Receivables from:		
Trading participants (Note 29)	**₱42,762,299**	₱68,320,513
Data vendors	**24,946,968**	19,268,587
Listed companies	**21,640,708**	4,210,341
Accrued interest receivable (Note 20)	**8,015,554**	5,713,175
Advances to/receivables from:		
Other fund members	**1,116,760**	6,048,373
Officers and employees	**2,815,668**	1,284,607
Suppliers	**16,790,880**	138,914
Others	**14,064,146**	1,813,337
Total	**132,152,983**	106,797,845
Less allowance for impairment loss	**2,884,841**	3,034,841
	₱129,268,142	₱103,763,004

Receivables generally have terms of 30 days, except for the receivables from data vendors which are normally collected within 45 days.

11. Other Current Assets

This account consists of:

	2019	2018
Input VAT - net of noncurrent portion	**₱60,261,606**	₱43,512,893
Prepaid expenses	**38,998,479**	38,492,021
Others	**4,259,185**	6,442,089
	₱103,519,270	₱88,447,003

Input VAT, net of noncurrent portion, represents VAT paid to suppliers that can be claimed as credit against the Group's future output VAT liabilities without prescription.

Prepaid expenses include prepayment of rental, insurance, creditable withholding tax and other expenses which are normally incurred within the next financial year.

12. Property and Equipment

The composition of and movements in property and equipment are as follows:

	Land	Buildings	Building Improvements	Trading System Equipment	Computer Hardware and Peripherals	Office Furniture, Fixtures and Communication Equipment and Others	Transportation Equipment	Total
Cost								
At beginning of year	₱155,690,154	₱1,094,995,731	₱39,335,830	₱268,116,386	₱523,899,767	₱178,332,571	₱21,492,803	₱2,281,863,243
Additions (Note 17)	–	173,852	–	407,200	361,542	–	–	942,594
Disposals	–	–	–	–	–	–	(1,741,071)	(1,741,071)
At end of year	155,690,154	1,095,169,583	39,335,830	268,523,586	524,261,309	178,332,571	19,751,732	2,281,064,765
Accumulated Depreciation								

At beginning of year	**–**	**111,694,348**	**39,130,796**	**152,060,002**	**379,255,328**	**91,230,898**	**11,116,774**	**784,488,146**
Depreciation	**–**	**11,123,146**	**101,779**	**7,186,713**	**14,800,750**	**5,683,722**	**1,060,239**	**39,956,348**
Disposals	**–**	**–**	**–**	**–**	**–**	**–**	**(750,000)**	**(750,000)**
At end of year	**–**	**122,817,494**	**39,232,575**	**159,246,715**	**394,056,078**	**96,914,620**	**11,427,012**	**823,694,494**
Net Book Value	**₱155,690,154**	**₱972,352,089**	**₱103,255**	**₱109,276,871**	**₱130,205,231**	**₱81,417,951**	**₱8,324,720**	**₱1,457,370,271**

	2018								
	Land	Buildings	Building Improvements	Trading System Equipment	Computer Hardware and Peripherals	Office Furniture, Fixtures and Communication Equipment and Others	Transportation Equipment	Construction in progress - Office fit-out	Total
Cost									
At beginning of year	₱155,690,154	₱885,453,090	₱157,513,609	₱258,601,298	₱509,039,017	₱89,411,827	₱21,388,430	₱133,655,135	₱2,210,752,560
Additions (Note 17)	–	27,692,450	–	11,452,158	634,700	449,732	1,071,429	–	41,300,468
Disposals	–	–	(997,909)	–	–	(1,010,488)	(1,071,428)	–	(3,079,825)
Write-off	–	–	–	–	–	–	–	–	–
At end of year	155,690,154	913,145,540	156,515,700	270,053,456	509,673,717	88,851,071	21,388,430	133,655,135	2,248,973,204
Accumulated Depreciation									
At beginning of year	–	68,853,697	156,202,456	125,473,642	320,721,495	77,633,752	7,533,501	–	756,418,544
Depreciation	–	8,853,974	395,145	5,813,477	12,994,945	552,728	1,210,694	–	29,820,964
Disposals	–	–	(997,909)	–	–	(989,315)	(1,071,427)	–	(3,058,651)
Write-off	–	–	–	–	–	–	–	–	–
At end of year	–	77,707,671	155,599,692	131,287,119	333,716,440	77,197,165	7,672,768	–	783,180,856
Net Book Value	₱155,690,154	₱835,437,869	₱916,008	₱138,766,336	₱175,957,277	₱11,653,906	₱13,715,662	₱133,655,135	₱1,465,792,347

As at March 31, 2019 and 2018, the Group's acquisition of property and equipment which remains unpaid and is included under "Accounts payable and other current liabilities - Trade" amounted to ₱37 million and ₱30.67 million, respectively (see Note 15).

The Group disposed property and equipment with carrying value amounting to ₱0.99 million and nil in 2018 with related gain (loss) on disposal amounting to ₱1.25 million in 2019 and nil in 2018, respectively.

As at March 31, 2019, no assets have been written off.

Land. This represents shares in a condominium corporation donated to the Parent Company. Ayala Land, Inc. (ALI) established a stock condominium corporation with the corporate name of Tower One and PSE Exchange Plaza Condominium for the purpose of holding title to the parcel of land where the Exchange Plaza is located and other common areas of the condominium. The PSE's share in the parcel of land where the condominium is located and the common areas of the condominium is classified under Land. The donation is divided into two tranches consisting of 120 and 176 shares, each valued at ₱63.12 million and ₱92.57 million, respectively. Such shares were received by the Parent Company on December 29, 1994 for the 120 shares and on January 15, 1995 for the 176 shares and were valued at fair market value of the land at the time of donation.

Buildings. These include condominium units at the PSE Plaza, Ayala Triangle and PSE Tower, Fort Bonifacio Global City (see Note 17). The condominium units at PSE Tower, Fort Bonifacio Global City were transferred and accepted by the Exchange on September 22, 2017.

Building Improvements. These pertain to improvements of office units at PSE Plaza, Ayala Triangle donated by ALI.

Construction in Progress. These pertain to expenditures for building improvements in the course of construction and installation of fit-out, furniture and equipment and computer hardware which was already transferred to the appropriate property and equipment accounts in 2018.

Trading System Equipment. This represents software and hardware costs. Software costs cannot be separately classified as an intangible asset as this is an integral part of the related hardware.

13. **Investment in an Associate**

This account represents the 20.98% interest in Philippine Dealing System Holdings Corp. (PDSHC) whose principal activity is to provide platform for the issuance, trading, dealing and exchange of fixed income securities and monetary instruments:

	2019	2018
Acquisition cost	**₱137,050,657**	₱137,050,657
Accumulated equity in net income of an associate:		
Balance at beginning of year	**363,072,627**	324,212,210
Share in net income of investee	**-**	-
Balance at end of year	**363,072,627**	324,212,210
Accumulated equity in other comprehensive loss - remeasurement losses on pension liability:		
Balance at beginning of year	**(3,725,311)**	(4,576,708)
Share in remeasurement gain	**-**	-
Balance at end of year	**(3,725,311)**	(4,576,708)
Accumulated dividend income:		
Balance at beginning of the year	**(223,361,884)**	(97,481,884)
Dividends declared during the year	**-**	-
Balance at end of year	**(223,361,884)**	(97,481,884)
	₱273,036,089	₱359,204,275

On August 13, 2014, the Parent Company's BOD authorized the offer to purchase the shareholdings of Banker's Association of the Philippines (BAP) in PDSHC at a total value of ₱2.25 billion.

On October 7, 2014, the Parent Company and BAP agreed on the indicative terms and conditions for the proposed acquisition by the Parent Company of BAP's 28.90% stake in PDSHC.

On May 2, 2015, the Exchange's stockholders approved the increase in the Exchange's shareholdings in PDSHC to at least two-thirds (2/3) of the total issued and outstanding shares of PDSHC using a PDS equity value of ₱2.25 billion.

On May 27, 2015, the Exchange's BOD authorized the availment of a clean term loan in the total amount of ₱1.15 billion from several banks for the purpose of financing the purchase of shares of stock from stockholders of PDSHC. The loan includes a 5-year term, with interest rate based on 5-year PDST R-2 on drawdown and can be released on a staggered basis as the need arises.

On July 22, October 27, November 12 and November 16 of 2015, the Exchange has signed Share Purchase Agreements (SPA) with the BAP, Finex Research and Development Foundation, Inc. (FINEX), Whistler Technology Services, Inc. (WTSI) and Insular Investment Corp. for the proposed purchase by the Exchange of 1,807,094 common shares or 28.91%, 192,776 common shares or 3.08%, 500,000 common shares or 8.00% and 192,776 common shares or 3.0844%, respectively.

On January 26, 2016, the Exchange submitted regulatory requirements to SEC.

On March 28, 2016, the Exchange received SEC En Banc Resolution No. 230, series of 2016, denying the application for exemptive relief by the PSE that was required for the acquisition to be completed. On the same date, BOD of PDSHC declared cash dividends in the amount of ₱18.33 per share to all stockholders of record as of December 31, 2015 payable on or before April 20, 2016.

On June 15, July 6, August 25, September 26, 2017 and November 8, 2017, the Exchange has signed SPAs with the shareholders of PDSHC, such as BAP, WTSI, Investment House of Association of the Philippines (IHAP) and Philippine American Life and General Insurance Co. (Philam) and FINEX, for the newly proposed purchase by the Exchange of 1,466,800 common shares or 23.47%, 500,000 common shares or 8.00%, 36,446 common shares or 0.58%, 250,000 common shares or 4.00%, and 192,776 common shares or 3.08%, respectively.

On September 13, 2017, the Exchange's BOD authorized the obtainment of a one-year loan in the amount of ₱1.15 billion from several banks for the purpose of financing the purchase of shares of stock from stockholders of PDSHC.

On September 28, 2017, BOD of PDSHC declared cash dividends in the amount of ₱56 per share (₱73.44 million) in favor of all shareholders on record as of June 30, 2017 payable on or before October 15, 2017.

On October 5, 2017, the Exchange entered into a loan agreement with Bank of Commerce amounting to ₱1,000.00 million. As at February 27, 2019, the Exchange has not yet made any drawdown to the loan.

On November 30, 2017, the proposed acquisition of PDHSC was deemed approved by the Philippine Competition Commission.

On January 12 and 15, 2018, the Exchange has signed SPAs with San Miguel Corporation and Tata Consulting Services Asia-Pacific Pte. Ltd. (TCS) for the proposed purchase by the Exchange of 250,000 common shares or 4.00% and 500,000 common shares or 8.00%, respectively.

On June 14, 2018, the BOD of PDSHC declared cash dividends in the amount of ₱96 per share (₱ 600.00 million) in favor of all shareholders on record as of June 14, 2018 payable on or before June 30, 2018.

On March 31, 2018, the SPAs with BAP, IHAP, Philam, FINEX and SMC were automatically terminated due to the non-satisfaction of closing condition on the target Closing Date. The SPA with TCS automatically lapsed on July 2, 2018. As at March 31, 2019, the acquisition of PDHSC has not yet been approved by the SEC.

14. Other Noncurrent Assets

This account consists of:

	2019	2018
Input VAT - noncurrent portion	**₱20,939,610**	₱40,268,480
Deposits in bank	**690,401**	688,787
Computer software - net	**118,855**	591,138
Others	**6,737,988**	7,440,605
	₱28,486,854	₱48,989,010

Noncurrent portion of input VAT pertains to deferred VAT that can be claimed as credit against future output VAT from the reporting date without prescription.

Deposits in bank represent the amount deposited by the Parent Company in favor of National Labor Relations Commission (NLRC) in connection with pending labor cases which are still on appeal. Under the Rules of NLRC, the amount may not be withdrawn by the Parent Company until final disposition of the cases.

The movements in computer software account follow:

	2019	2018
Cost:		
Balance at beginning and end of year	**₱68,229,080**	₱68,229,080
Accumulated amortization:		
Balance at beginning of year	**68,097,018**	66,366,353
Amortization (Notes 21 and 22)	**13,206**	1,271,589
Balance at end of year	**68,110,224**	67,637,942
Net book value	**₱ 118,855**	₱ 591,138

15. **Accounts Payable and Other Current Liabilities**

This account consists of:

	2019	2018
Trade (Note 12)	**₱46,202,265**	₱63,036,994
Due to SEC	**34,962,037**	34,755,547
Accrued expenses:		
Occupancy costs	**20,388,250**	18,027,553
Professional fees	**13,719,765**	5,636,601
Compensation and other related staff costs	**10,530,090**	11,726,954
Telecommunication and others	**3,186,163**	21,374,442
Penalties (Note 18)	**1,277,500**	1,277,500
Repairs and maintenance	**3,929,895**	19,948,837
Travel and transportation	**358,796**	1,179,365
Other accrued expenses	**8,022,529**	8,049,181
Payable to government agencies	**19,406,008**	29,629,192
Others	**5,403,166**	5,458,721
	₱167,386,465	₱220,100,886

Trade, accrued expenses, payable to government agencies and others are noninterest-bearing, except for legal costs, and are normally settled within the next financial year.

Due to SEC represents the amount payable for license fees to operate an exchange imposed under Section 35 of the SRC entitled "Additional Fees of Exchanges", which are subsequently billed and collected from active trading participants.

16. **Contract Liabilities, Deferred Fees and Others**

Contract Liabilities
This account consists of:

	2019	2018
Listing fees	**₱949,099,653**	
Data feed fees	**23,502,649**	₱–
Management fees	**239,658**	–

Total	**972,841,960**	–
Less contract liabilities - net of current portion	**699,604,277**	–
Total current portion of contract liabilities	**₱273,237,683**	₱–

Contract liabilities primarily relate to the advance consideration received from customers for which revenue is recognized at certain milestone of completion. Contract liability is reduced and revenue from deferred listing is recognized for the amount corresponding to the performance obligation that is satisfied during the period. The noncurrent portion of contract liabilities includes the retrospective adjustment of the beginning balance of retained earnings for deferred listing fees that will be recognized as revenue overtime as the performance obligation is satisfied for the duration of the average listing life of the customers. The current portion includes the amount of listing fees that will be recognized as revenue as the performance obligation is satisfied within the next financial year.

<u>Deferred fees and others</u>
This account consists of:

	2019	2018
Deferred fees:		
Listing and maintenance fees	**₱190,273,438**	₱262,747,857
Data feed fees	**–**	21,702,569
Others	**9,892**	299,179
Deferred output tax	**3,019,878**	7,974,091
	₱193,303,208	₱292,723,695

The revenues out of deferred fees recorded as contract liabilities from data feed fees and management fees are normally realized within the next financial year.

17. **Donated Capital**

As at March 31, 2019 and 2018, this account consists of donations from:

	2019	2018
ALI (Note 12)	**₱235,690,154**	₱235,690,154
FBDC	**211,597,831**	211,597,831
PRHC	**–**	139,542,000
	₱447,287,985	₱586,829,985

On November 12, 2002, the Parent Company and FBDC executed a Definitive Agreement with the following salient terms and conditions: (i) the Parent Company agrees to relocate its headquarters, majority of its management offices and its unified trading operations in equity securities for the National Capital Region (NCR) to the Bonifacio Global City; (ii) Crescent West Development Corporation (CWDC) shall be the corporate vehicle to which FBDC shall contribute the land as additional capital and the shares of which shall eventually be donated to the Parent Company; and (iii) the FBDC and the Parent Company agree to develop the land and construct the building that will house the Parent Company's headquarters, majority of its management offices and its unified trading operations in equity securities for the NCR.

Based on such agreement, all outstanding shares of stocks of CWDC shall be donated by FBDC to the Parent Company on the following dates:

Date of Donation	%/Number of Shares to be Donated
January 7, 2005	14.32% or 5,247,419 shares
January 7, 2006	14.28% or 5,232,762 shares
January 7, 2007	14.28% or 5,232,762 shares
January 7, 2008	14.28% or 5,232,762 shares
January 7, 2009	14.28% or 5,232,762 shares
January 7, 2010	14.28% or 5,232,762 shares
January 7, 2011	14.28% or 5,232,762 shares

Following the Definitive Agreement, on January 7, 2006 and 2005, FBDC executed a Deed of Conditional Donation in favor of the Parent Company, which covers the transfer of 5,232,762 shares and 5,247,419 shares of CWDC, respectively, for ₱10.48 million. Such shares received were classified as other investments under "Other noncurrent assets" account in the consolidated statement of financial position.

In June 2007, the donation of all remaining CWDC shares was deferred pending negotiations among the Parent Company, FBDC and ALI for the joint development, pursuant to a Memorandum of Understanding dated April 26, 2007, of an iconic office building in Bonifacio Global City for the relocation of the Parent Company's headquarters, majority of its management offices and unified trading operations in equities securities for the NCR to the Bonifacio Global City.

On May 3, 2012, the Parent Company, FBDC and ALI executed a Memorandum of Agreement (MOA) for the Parent Company's acquisition of office units in the West Super Block building developed by FBDC and ALI in Bonifacio Global City. Subject to the fulfillment of certain conditions (including regulatory licenses and execution of the necessary agreements), if the Parent Company proceeds with the acquisition of office units in the West Super Block building, then the Definitive Agreement relating to donation of CWDC shares shall be terminated, and FBDC shall buyback the 10,480,181 CWDC shares that were previously donated to the Parent Company.

On May 19, 2015, a contract to sell was entered into between the Parent Company and FBDC for the purchase by the Parent Company of certain office units in the West Super Block building. On June 30, 2015, in line with the provision of the MOA, the Parent Company sold back the FBDC's previously donated 10,480,181 shares of CWDC for ₱52.11 million resulting to a gain amounting to ₱41.63 million.

Further, FBDC agreed to donate a portion of the total purchase price of the office units amounting to ₱235.01 million. Total donation, net of related expenses, received by the Parent Company amounted to nil, ₱96.18 million and ₱115.42 million for the years ended December 31, 2017, 2016 and 2015, respectively, which is presented as "Income from donation" account in the consolidated statements of comprehensive income. Consequently, portion of donated capital pertaining to CWDC shares amounting to ₱10.48 million was reclassified to unappropriated retained earnings.

The Parent Company has hired various external consultants to conduct project and construction management and quantity surveying services of the fit-out works in the said office units with total project cost of ₱356.84 million. The fit-out works were completed in 2018.

As at December 31, 2018, the Exchange reclassified the donated capital from PRHC to unappropriated retaining earnings following the sale of the property in 2017.

18. **Equity**

The composition of equity is as follows:

	2019	2018
Common stock - ₱1.00 par value		
Authorized - 120.0 million shares		
Issued - 85,008,800 shares in 2019		
and 84,992,209 in 2018	**₱85,008,800**	₱84,992,209
Additional paid-in capital in excess of par	**3,892,784,658**	3,961,145,224
Subscribed capital stock	**13,375,762**	6,149,057
Subscription receivable	**(9,329,546)**	(2,120,661)
	3,981,839,674	4,050,165,829
Treasury stock - 100,006 shares in 2019 and 2018	**(68,000,006)**	(68,000,005)
	₱3,913,839,668	₱1,083,369,935

The following summarizes the information on the Parent Company's registration of securities under the Securities Regulation Code:

Date of SEC Approval	Authorized Shares	No. of Shares Issued	Issue/Offer Price
August 8, 2001	36,800,000	9,200,008	₱31.16
January 28, 2004	–	6,077,505	119.50
September 10, 2008	–	15,177,499	–
September 12, 2008	61,000,000	–	–
June 9, 2011	–	30,504,363	–
November 14, 2013	22,200,000	12,221,680	–
March 22, 2018		11,500,000	252
ESPP:			
2009		49,358	
2010		50,000	
2011		50,000	
2012		49,397	
2014		50,603	
2015		50,000	
2018		23,437	
2019		4,950	
	120,000,000	85,008,800	

The Parent Company has total number of shareholders of 300 and 282 as at March 31, 2019 and 2018, respectively.

Retained Earnings

Date of Declaration	Dividends Per Share	Dividends Total Amount	Record Date	Payment Date
March 27, 2019	₱8.80	₱749,998,266	April 12, 2019	May 10, 2019
January 24, 2018	9.00	660,831,111	February 8, 2018	March 6, 2018
February 22, 2017	7.00	513,917,404	March 31, 2017	April 27, 2017
February 24, 2016	7.00	513,796,017	March 30, 2016	April 25, 2016

Unappropriated retained earnings include the accumulated equity in net earnings of subsidiaries and associate amounting to ₱403.67 million and ₱425.14 million as at March 31, 2019 and 2018, respectively that is not available for distribution until such time that the Parent Company receives the dividends from the respective subsidiaries and associate. In addition, the retained earnings of the Parent Company is restricted for the payment of dividends to the extent of ₱68.00 million as at March 31, 2019 and 2018, representing the cost of shares held in treasury.

As at March 31, 2019 and 2018, the total appropriated retained earnings of the Parent Company and SCCP is ₱121.00 million. On August 13, 2008, the Parent Company's BOD appropriated ₱68.00 million in connection with its acquisition of treasury shares. In 2007, the Parent Company's BOD appropriated ₱3.00 million to cover potential liability cases filed against the Parent Company, its directors and/or its officers. SCCP restricted retained earnings amounting to ₱50.00 million for the settlement of trade obligations of defaulting clearing members should the clearing and trade guarantee fund not be enough (see Note 33).

Ownership in the Parent Company

The SRC provides that no industry or business group may beneficially own or control, directly or indirectly, more than 20% of the voting rights of the Parent Company. On August 13, 2007, the SEC imposed on the Parent Company a penalty of ₱101,100 plus a daily fine of ₱100 for every day of delay of compliance because the total trading participant ownership in the Parent Company exceeds the allowable limit. Starting March 2009, the daily fine for every day of delay of compliance is ₱500. As at March 31, 2019, the total amount of penalty recognized by the Group under "Accounts payable and other current liabilities - accrued expenses" account in the consolidated statements of financial position amounted to ₱1.28 million (see Note 15). As at February 27, 2019, the brokers' ownership is as 26.44%.

Stock Rights Offering (SRO)

On October 25, 2017, the BOD approved the SRO to stockholders of up to 11.50 million common shares to be issued under terms and conditions as determined by the Exchange. This is part of the compliance plan to align shareholder ownership with the 20% limit set by SRC.

On February 23, 2018, the price of the Exchange's SRO was determined. The Exchange offered 11,500,000 shares to eligible stockholders of record as of March 1, 2018 at ₱252.00 per rights share. The offer period was from March 12 to 16, 2018. On March 22, 2018, the Exchange successfully listed the 11,500,000 shares in the PSE. Gross proceeds from the stock rights offering amounted to ₱2.90 billion, inclusive of additional paid-in capital of ₱2.89 billion representing premium over the par value of the common stock. Expenses related to the offering amounting to ₱73.35 million were recorded as a reduction of the additional paid-in capital.

Capital Management

The Group's objectives when managing capital are (a) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders; (b) to support the Group's stability and growth; and (c) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group considers all the components of its total equity as capital.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. No changes were made in the objectives, policies or processes as at March 31, 2019 and 2018.

The Group adopts a practice of providing shareholders with regular dividends.

19. **Revenues**

This account consists:

	2019	2018
Listing-related fees:		
Listing	**₱48,263,086**	₱26,441,193
Listing maintenance	**63,374,479**	65,922,869
Processing	**260,000**	230,000
Service fees (Note 29)	**87,311,573**	93,022,323
Trading-related fees:		
Transaction (Note 29)	**41,768,786**	48,411,825
Data feed	**27,054,169**	29,412,026
Subscription (Note 29)	**8,437,260**	24,797,743
Block sales (Note 29)	**7,125,695**	3,680,677
Other revenues (Note 29)	**12,202,682**	6,524,095
	₱295,797,731	₱298,442,752

Disaggregated Revenue Information

The table below shows the disaggregation of revenues from contracts with customers of the Group by major products/service lines and also includes a reconciliation of the disaggregated revenue with the Group's three strategic divisions for the year ended March 31:

	March 31, 2019			
	Listing	**Trading**	**Service**	**Total**
Major Product/Service Lines				
Initial listing fees	₱10,213,454	₱–	₱–	₱10,213,454
Additional listing fees	38,049,632	–	–	38,049,632
Listing maintenance fees	63,374,479	–	–	63,374,479
Processing fees	260,000	–	–	260,000
Settlement and clearing fee	–	–	87,311,573	87,311,573
Transaction fees	–	41,768,786	–	41,768,786
Data feed fees	–	27,054,169	–	27,054,169
Block sales	–	7,125,695	–	7,125,695
Subscription fees	–	8,437,260	–	8,437,260
Management fee	–	–	19,971	19,971
Seminar fee	–	–	373,214	373,214
Other revenues	1,963,393	–	9,846,104	11,809,497
	₱113,860,959	**₱84,385,910**	**₱97,550,862**	**₱295,797,731**
Timing of revenue recognition				
Transferred at a point in time	₱67,905,838	₱48,894,481	₱97,530,891	₱214,331,210
Transferred over time	45,955,121	35,491,429	19,971	81,466,522
	₱113,860,959	**₱84,385,910**	**₱97,550,862**	**₱295,797,731**

The contract liabilities primarily relate to the advance consideration received from customers for which revenue is recognized at certain milestone of completion.

Significant changes in the contract liabilities balances during the period are as follows:

	Contract Liabilities
Beginning Balance	₱12,241,761
Transfers from beginning balance of "Deferred Fees" account due to the adoption of PFRS 15	956,103,687

Increases due to cash received, excluding amounts recognized as revenue during the period	19,840,738
Revenue recognized that was included in the contract liability balance at the beginning of the period	(15,344,227)
Ending Balance	₱972,841,959

20. **Interest Income**

This account consists of interest income from:

	2019	2018
Financial assets at FVOCI (Note 9)	**₱4,580,041**	₱–
AFS investments (Note 9)	**–**	4,484,861
Cash and cash equivalents:		
Time deposits (Note 7)	**49,262,671**	4,178,547
Cash in banks (Note 7)	**79,029**	124,307
Financial assets at FVTPL	**182,907**	34,536
	₱54,104,648	₱8,822,251

21. **Cost of Services**

This account consists of:

	2019	2018
Repairs and maintenance	**₱29,596,879**	₱31,079,998
Compensation and other related staff costs (Note 23)	**16,015,514**	15,927,229
Depreciation (Notes 12 and 14)	**21,982,539**	17,867,762
Communication	**2,057,791**	2,748,698
Amortization of computer software (Note 14)	**13,206**	1,271,589
Others	**1,327,828**	1,363,991
	₱70,993,758	₱70,259,267

22. **General and Administrative Expenses**

This account consists of:

	2019	2018
Compensation and other related staff costs (Note 23)	**₱32,752,573**	₱31,423,514
Depreciation (Notes 12 and 14)	**17,960,602**	11,953,202
Occupancy costs (Notes 14 and 24)	**17,232,800**	24,147,855
Professional fees	**13,339,718**	13,611,808
Market development	**2,430,696**	748,949
Repairs and maintenance	**1,967,155**	1,026,757
Taxes and licenses	**1,056,318**	1,889,162
Public relations	**1,029,258**	3,609,785
Office supplies	**774,879**	1,049,459

	2019	2018
Communication	**707,507**	471,088
Travel and transportation	**481,490**	923,675
Insurance	**402,952**	647,904
Meetings and conferences	**411,764**	332,446
Trading participants' development	**249,383**	341,048
Others	**32,068**	49,593
	₱90,829,162	₱92,226,245

23. **Compensation and Other Related Staff Costs**

This account consists of:

	2019	2018
Salaries and wages	**₱44,620,053**	₱43,196,600
Pension expense (Note 27)	**2,166,763**	2,616,763
Other employee benefits	**1,981,271**	1,537,380
	₱48,768,087	₱47,350,743

Other employee benefits include the ESPP expense amounting to ₱0.27 million and ₱0.08 million in 2019 and 2018, respectively (see Note 32).

24. **Occupancy Costs**

This account consists of:

	2018	2017
Condominium rent and dues (see Note 14)	**₱6,182,635**	₱5,437,371
Utilities	**4,698,583**	8,552,289
Security and janitorial services	**6,351,582**	10,158,195
	₱17,232,800	₱24,147,855

25. **Lease Commitments**

The Exchange as Lessee

As at August 29, 2017, the Exchange entered into a contract of lease with PRHC covering the lease of condominium units and parking slots at the Philippine Stock Exchange Center in Pasig City. This lease has a term of 18 months starting September 1, 2017 to February 28, 2019 which may be pre-terminated under terms and conditions that are mutually agreed upon by the parties. In April 2018, the contract of lease with PRHC was terminated.

Furthermore, at various dates in 2018, the Exchange entered into lease agreements covering storage room, colocation space and data recovery site. These contracts are renewable on a yearly basis.

Total rental expense amounted to ₱0.43 million and ₱6.39 million for the periods ended March 31, 2019 and 2018, respectively (see Notes 21, 22 and 24).

The Exchange as Lessor

The Exchange entered into lease agreements with the trading participants for the lease of trading booths at PSE Tower, Fort Bonifacio Global City. These contracts are renewable on a yearly basis.

Rent income amounted to ₱1.53 million and ₱0.21 million in 2019 and 2018, respectively (see Notes 19 and 29).

CMIC as Lessee
In May 2012, CMIC entered into a lease agreement for its present office space with Ayala Land, Inc. The lease is for a period of five (5) years commencing on May 2, 2012 with an option to renew, subject to the fulfillment of the conditions specified in the lease agreement and under such terms and conditions as may be mutually acceptable to the lessor and the lessee. The lease agreement provides for escalation of rent at a rate of 5% for the second and third year and 10% for the fourth and fifth year. The lease is accounted for on a straight-line method over the term of the agreement.

The lease agreement contains (1) an advanced rental equivalent to three months' rent amounting to ₱ 0.40 million which shall be applied for the last three months of the lease, subject to adjustment if rent increases; and (2) a refundable deposit at an amount equivalent to three months' rent or ₱0.40 million which shall be refunded at the end of the lease. This refundable deposit is initially recognized at present value and subsequently carried at amortized cost using the effective interest method.

On May 2, 2017, CMIC renewed its lease agreement with Ayala Land, Inc. for a period of one (1) year. On February 19, 2018, the lease agreement for office space with Ayala was terminated.

26. **Income Tax**

The provision for (benefit from) income tax consists of:

	2019	2018
Current:		
RCIT	**₱25,299,115**	₱33,097,190
Deferred	**7,769,516**	(725)
	₱33,068,631	₱33,096,465

As at March 31, 2019, the carryforward benefit from the excess of MCIT over RCIT of CMIC that can be claimed as tax credit against RCIT due in the future is as follows:

Year Incurred	Expiry Year	Beginning Balance	Addition	Applied During the Year	Ending Balance
2017	2020	₱69,575	₱–	₱69,575	₱–

Optional Standard Deduction (OSD)
Under the OSD method in computing taxable income, corporations may elect a standard deduction in an amount equivalent to 40% of gross income, as provided by law, in lieu of the itemized allowed deductions.

SCCP elected the OSD method in 2019 and 2018, in computing its taxable income.

The availment of the OSD method also affected the recognition of several deferred tax assets and liabilities. Deferred tax assets and liabilities, for which the related income and expense are not considered in determining gross income for income tax purposes, are not recognized. This is because the manner by which SCCP expects to recover or settle the underlying assets and liabilities, for which the deferred tax assets and liabilities were initially recognized, would not result to any future tax consequence under the OSD method. Meanwhile, deferred tax assets and liabilities, for which the related income and expense are considered in determining gross income for income tax purposes, are recognized only to the extent of their future tax consequence under OSD method. Hence, the tax base of these deferred tax assets and liabilities is reduced by the 40% allowable deduction provided for under the OSD method.

SCCP's deferred tax asset, which were not recognized due to the use of the OSD method amounted to ₱3.29 million and ₱3.74 million as at March 31, 2019 and 2019, respectively.

27. **Retirement Plan**

The Parent Company has a funded noncontributory defined benefit retirement plan while SCCP and CMIC have unfunded noncontributory defined benefit retirement plans. The benefits are accumulated based on years of service and compensation per year of credited service.

The principal actuarial assumptions used in determining retirement liabilities based on last actuarial report as at December 31, 2018 and 2017 are shown below:

	Parent Company		**SCCP**		**CMIC**	
	2018	2017	**2018**	2017	**2018**	2017
Discount rate	**8.58%**	5.94%	**7.70%**	5.77%	**7.72%**	5.08%
Future salary increases	**5.00%**	5.00%	**5.00%**	5.00%	**5.00%**	5.00%

The latest actuarial valuation studies of the retirement plan of the Parent Company, SCCP and CMIC were made as at December 31, 2018.

The pension expense included under "Compensation and other related staff costs" account under "Cost of services" and "General and administrative expenses" in the consolidated statements of comprehensive income are as follows:

	2019	2018
Current service cost	₱2,766,865	₱2,611,975
Net interest income	(377,594)	(445,212)
	₱2,389,271	₱2,166,763

The Parent Company's share in remeasurement loss on pension benefits of the associate is ₱0.85 million and ₱2.87 million in 2019, 2018, respectively.

The pension (asset)/ liability included in the consolidated statements of financial position as at March 31, 2019 and 2018 are as follows:

	2019			2018		
	Parent	**SCCP**	**CMIC**	Parent	SCCP	CMIC
	Pension Asset	**Pension Liability**	**Pension Liability**	Pension Asset	Pension Liability	Pension Liability
Present value of the obligation	**₱89,736,497**	**₱11,132,672**	**₱1,114,514**	₱109,892,509	₱12,699,646	₱1,238,197

Fair value of plan assets	**(155,165,634)**	**–**	**–**	(142,778,571)	–	–
Effect of asset ceiling	**22,013,137**	**–**	**–**	3,508,131	–	–
	(₱43,416,000)	**₱11,132,672**	**₱1,114,514**	(₱29,377,931)	₱12,699,646	₱1,1238,197

The movements in the fair value of plan assets recognized by the Parent Company follow:

	2018	2017
Balance at beginning of year	**₱142,778,571**	₱140,410,413
Interest income	**9,023,286**	8,299,133
Actual benefits paid	**(1,829,850)**	(2,523,870)
Remeasurement loss	**(14,893,428)**	(4,072,599)
Contributions	**20,087,055**	665,494
Balance at end of year	**₱155,165,634**	₱142,778,571

The assets of the Parent Company's retirement plan are being held by a trustee bank pursuant to a trust agreement dated August 10, 2011. The investing decisions of the retirement plan are made by Board of Trustees of the retirement plan.

The following table presents the carrying amounts and estimated fair values of the assets of the Parent Company's retirement plan as at March 31, 2019 and 2018:

	2019		2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Cash and cash equivalents	**₱14,165,295**	**₱14,165,295**	₱2,826,502	₱2,826,502
Investment in government securities, bonds and other debt instruments	**115,168,673**	**115,168,673**	110,221,380	110,221,380
Investment in equity securities	**24,146,029**	**24,146,029**	22,648,380	22,648,380
Others	**765,074**	**765,074**	1,240,315	1,240,315
	₱154,245,072	**₱154,245,072**	₱136,936,577	₱136,936,577

The Parent Company's retirement plans' assets and investments consist of the following:

- Cash and cash equivalents includes regular savings and time deposits.
- Investment in equity securities consists of listed equity securities.
- Investments in government securities, consisting of retail treasury bonds that bear interest ranging from 4.25% to 7.38% in 2018 and 2017 and have maturities from April 2020 to March 2027 in 2018 and fixed-income treasury notes that bear interest ranging from 3.375% to 8.75% in 2018 and 2.13% to 8.75% in 2017 with maturities from November 2019 to August 2037 in 2018 and May 2018 to August 2037 in 2017, respectively.
- Investments in debt and other securities consist of long-term corporate bonds, which bear interest ranging from 4.00% to 6.15% in 2018 and 2017 and have maturities from May 2020 to April 2025 in 2018 and 2017.
- Other financial assets held by the retirement plan are primarily accrued interest income on cash deposits and debt securities and dividend receivables.

To efficiently manage the retirement plan, the Parent Company ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as these fall due and in the appropriate currency. The Parent Company actively monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement obligations. In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of the plan assets as at March 31, 2019 and 2018 consists of equity and debt securities, although the Parent Company also invests in cash and cash equivalents. The Parent Company believes that debt securities offer the best returns over long-term with an acceptable level of risk. The majority of debt securities are in government securities which have relatively low risk.

There has been no change in the Parent Company's strategies to manage its risks from previous periods.

On the other hand, SCCP's retirement plan is non-contributory and of the final salary defined benefit type. The plan provides a retirement benefit equal to one hundred fifty percent (150%) of the plan salary for every year of credited service. Benefits are paid in lump sum directly by SCCP upon retirement or separation in accordance with the terms of the plan.

Moreover, CMIC does not have an established retirement fund and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the defined benefit type and provides a retirement benefit equal to 22.5 days pay for every year of credited service. The regulatory benefit is paid directly by the Company in a lump sum upon retirement.

The maturity profile of undiscounted expected benefit payments from the plan for the next 10 years are as follows:

	2019	2018
More than one year to five years	**₱25,831,378**	₱28,836,960
More than five years to 10 years	**30,128,108**	29,262,032
	₱55,959,486	₱58,098,992

The weighted average duration of the defined benefit obligations for 20198 are 11.7 years, 13.4 years and 11.1 years for the Parent Company, SCCP and CMIC, respectively.

The weighted average duration of the defined benefit obligations are 13.2 years, 14.9 years and 13.6 years for the Parent Company, SCCP and CMIC, respectively.

28. **Basic/Diluted Earnings Per Share (EPS)**

Basic EPS are calculated by dividing the net income for the year attributable to ordinary equity holders of the Parent Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the net income attributable to ordinary equity holders of the Parent Company by weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares (ESPP shares) into ordinary shares.

The following reflects the diluted EPS computations:

For the three month period ended March 31, 2019 and 2018:

	2019	2018
Net income (a)	**₱175,002,515**	₱93,852,537
(b)Adjusted weighted average shares	**84,999,196**	74,338,740
(c)Adjusted weighted average shares - diluted	**85,133,982**	74,562,476
EPS:		
Basic (a/b)	**₱2.06**	₱1.26
Diluted (a/c)	**₱2.06**	₱1.26

For the Last 12 Months:

	2019	2018
Net income (a)	**₱808,255,882**	₱766,412,583
(b)Adjusted weighted average shares	**84,999,196**	74,338,740
(c)Adjusted weighted average shares - diluted	**85,133,982**	74,562,476
EPS:		
Basic (a/b)	**₱9.52**	₱10.31
Diluted (a/c)	**₱9.49**	₱10.28

29. **Related Party Transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. Related parties include trading participants that are stockholders of the Group.

The Group, in its normal course of business, has transactions with related parties.

The details of transactions with related parties are as follows:

Category	Year	Amount/ Volume of Transactions	Outstanding Receivables	Terms	Conditions
Stockholders					
Trading participants -					
Revenues					
Trading-related fees (Note 10):					
Transaction	**2019**	**₱41,768,573**	**₱12,845,435**	Collectible monthly through cash, noninterest-bearing	Unsecured; no impairment
	2018	48,411,825	15,581,047		

Category	Year	Amount/ Volume of Transactions	Outstanding Receivables	Terms	Conditions
Block sales	**2019**	**7,125,695**	**1,087,009**	Collectible monthly through cash, noninterest-bearing	Unsecured; no impairment
	2018	3,680,677	1,755,907		
Subscription	**2019**	**8,437,260**	**2,071,560**	Collectible monthly through cash, noninterest-bearing	Unsecured; no impairment
	2018	24,797,746	2,506,547		
Service fees	**2019**	**87,311,573**	**27,410,095**	Collectible monthly through cash, noninterest-bearing	Unsecured; no impairment
	2018	93,022,323	34,105,626		
Other revenues	**2019**	**6,445,373**	–	Collectible monthly through cash, noninterest-bearing	Unsecured; no impairment
	2018	3,375,003	–		

The receivable from trading participants included in the consolidated statements of financial position are net of allowance for impairment losses of ₱0.32 million as at March 31, 2019 and 2018, respectively.

Other revenues include trading participants' maintenance fee, recoveries from printing of data transaction report, lease of trading floor, cancellation of matched orders, and other fees.

Compensation of key management personnel (covering officer positions starting from Assistant Vice President and up) included under "Compensation and other related staff costs" account under "Cost of services" and "General and administrative expenses" in the consolidated statement of comprehensive income is as follows:

	2019	2018
Short-term employee benefits	**₱11,174,174**	₱12,351,105
Post-employment pension and medical benefits	**437,515**	874,981
	₱11,611,688	₱13,225,995

Short-term employee benefits include salaries, paid annual leave, vacation and sick leave, profit sharing and bonuses, and non-monetary benefits.

30. **Operating Segment**

The Group has one reportable business segment which is the equity securities market. The equity securities market provides trading, clearing, depository and information services for the equity market. The Group also has one geographical segment and derives all its revenues from domestic operations. The financial information about the sole business segment is presented in the consolidated financial statements.

The management, the chief operating decision maker of the Group, monitors the operating results of its business segment for the purpose of making decisions about resource allocation and performance assessment. The segment performance is evaluated based on operating profit or loss and is measured consistently with the income before income tax in the consolidated financial statements.

31. **Provision and Contingencies**

Parent Company

Provision. In 2018, the Parent Company recorded a provision amounting to ₱20.0 million which pertains to termination benefits payable to employees identified under its organizational streamlining program, the timing of settlement is not yet certain as at March 31, 2019 (see Note 22).

SCCP

The SCCP, as the central counterparty to stock exchange transactions, has contingent liabilities pertaining to outstanding trades as at March 31, 2019 and 2018. Details of stock exchange transactions outstanding as at reporting dates are as follows:

	2019	2018
Value of shares not yet delivered (net selling)	**₱7,003,366,694**	₱7,982,223,353
Amount of purchases unpaid (due clearing)	**2,529,710,106**	2,959,047,026
	₱9,533,076,800	₱10,941,270,379

All transactions outstanding as at March 31, 2019 and 2018 were subsequently settled in April 2019 and 2018, respectively. Accordingly, no failed trades occurred from these transactions.

32. **Employee Stock Purchase Plans**

2015 ESPP

On March 25, 2015 and May 2, 2015, the Parent Company's BOD and at least two thirds of the stockholders of the Parent Company approved to offer 150,000 ESPP shares for 3 years.

On December 23, 2015, the Parent Company submitted a request from SEC to be exempted from the registration requirements of the SRC. The Parent Company received the reply from the SEC stating that the Commission, in its meeting on January 21, 2016, ruled that the proposed ESPP is exempt from registration requirements of the SRC on January 26, 2016. Also, such approval commences the effectivity date of ESPP.

On February 16, 2016, the initial offering of ESPP was announced with the following terms and conditions:

a. the number of shares allotted for the offering is 150,000 shares or about 0.20% of the outstanding capital stock of the Parent Company. Each offering shall consist of 50,000 shares;

b. the program shall be administered by a five-member ESPP Committee headed by the President and CEO of the Parent Company, the Corporate Governance & Compliance Officer, the Chief Operating Officer of the Parent Company, the General Counsel of the Parent Company, and the Chief Operating Officer of SCCP. The Secretariat of the ESPP Committee will be led by the Head of the Human Resources & Administration Division of the Parent Company;

c. all regular employees, who are not under any suspension of the Parent Company and of the SCCP with at least one year of service shall be eligible for the ESPP;

d. offer date shall be quarterly for a period commencing on the quarter immediately after the SEC approval is obtained until the 4th quarter of 2017. Any unavailed portion of the ESPP shares offered to the employees within any year shall be reallocated to the immediately succeeding year;

e. offer price shall be fixed based on the Volume Weighted Average Price (VWAP) of the Parent Company shares for the month preceding the offer date less a discount of ten percent (10%). Payment terms will be through monthly salary deduction over a period of twenty four (24) months subject to salary deduction over a period of twenty four (24) months subject to payroll guidelines on net take home pay;

f. a mandatory holding period of two (2) years from the date of subscription shall be implemented;

g. if an employee who availed of the ESPP shares resigns within the mandatory holding period, then the Parent Company will reimburse the resigned employee for any and all contributions paid as of the latest payroll cutoff; and

h. in case an employee dies pending completion of the full payment over the 24-month period, any remaining unpaid balance will be considered by the Parent Company as fully paid.

<u>2018 ESPP</u>
On April 11, 2018, the Parent Company's BOD approved to offer 300,000 ESPP shares for 3 years.

On November 16, 2018, the SEC approved Parent Company's request to be exempted from the registration requirements of the SRC. Also, such approval commences the effectivity date of ESPP.

On December 27, 2018, the initial offering of ESPP was announced with the following terms and conditions:

a. the number of shares allotted for the offering is 300,000 shares or about 0.35% of the outstanding capital stock of the Parent Company. Each offering shall consist of 100,000 shares;

b. the program shall be administered by a five-member ESPP Committee headed by the President and CEO of the Parent Company, the Head of Market Operations Division of the Parent Company, the Chief Operating Officer of the Parent Company, the General Counsel of the Parent Company, and the Chief Operating Officer of SCCP. The Secretariat of the ESPP Committee will be led by the Head of the Human Resources & Administration Division of the Parent Company;

c. all Officers and employees, who are not under any suspension of the Parent Company and of the SCCP with at least one year of service shall be eligible for the ESPP;

d. offer date shall be annually for a period commencing on the year immediately after the SEC approval is obtained until 2021. Any unavailed portion of the ESPP shares offered to the employees within any year shall be reallocated to the immediately succeeding year;

e. offer price shall be fixed based on the Volume Weighted Average Price (VWAP) of the PSE shares for the month preceding the offer date less a discount of twenty percent (20%). Payment terms will be through monthly salary deduction over a period of thirty six (36) months subject to payroll guidelines on net take home pay;

f. a mandatory holding period of three (3) years from the date of subscription shall be implemented;

g. one-third (1/3) of the subscription will vest every year such that 33.3% of the ESPP shares subscribed by him/her will vest on the 12th month after the date of execution of the stock purchase agreement covering the ESPP shares; 66.7% on the 24th month, and 100% on the 36th month from execution of the stock purchase agreement;

h. if an employee who availed of the ESPP shares resigns within the mandatory holding period, then the Parent Company will reimburse the resigned employee for any and all contributions paid as of the latest payroll cutoff; on the other hand, the resigned employee shall be required to return to the Parent Company the covered ESPP shares including the dividends earned thereon; and

i. in case an employee dies pending completion of the full payment over the 36-month period, any remaining unpaid balance will be considered by the Parent Company as fully paid.

The movement in the number of ESPP shares is as follows:

	2018 ESPP	2015 ESPP
Total number of ESPP shares granted:		
2016	–	100,000
2017	–	50,000
2018	**100,000**	–
Availed shares in:		
2016	–	(31,437)
2017	–	(13,859)
2018	**(82,123)**	–
Forfeited shares in 2017	–	(8,000)
Expired shares in 2017	–	(96,704)
Outstanding ESPP shares as at March 31, 2019	**17,877**	–

In 2018, 23,437 shares from the 2015 ESPP with a subscription price amounting ₱5.47 million have vested following the completion of the two (2) year mandatory period. The said shares were issued to the employees and was recorded the "Capital stock" and "Additional paid-in capital" accounts in the 2018 statement of changes in equity (see Note 18).

The exercise prices of the shares granted during 2018 and 2017 follow:

	2018	2017
Quarter 1	**₱–**	₱211.72
Quarter 2	–	216.30
Quarter 3	–	216.48
Quarter 4	**139.55**	214.84

The fair value of shares granted during 2018 and 2017, based on the Exchange's daily stock quotation follows:

	2018	2017
Quarter 1	**₱–**	₱240.20
Quarter 2	–	238.80
Quarter 3	–	241.80
Quarter 4	**178.50**	239.80

33. **Clearing and Trade Guaranty Fund (CTGF)**

The CTGF is a risk management tool designed to protect the market against the settlement risks of trading participants. Each active trading participant's monthly contribution is equivalent to 1/500 of 1% of the members' trade value, net of block sales and cross transactions of the same flag.

The CTGF was presented off balance sheet and is not included within the noncurrent assets and noncurrent liabilities in the consolidated statement of financial position since these are not assets and liabilities of SCCP. This presentation is to better reflect the clearing members' contribution as trust monies and does not result in a change in net assets of SCCP.

The CTGF consists of:

	As of March 31	
	2019	2018
Principal contributions from:		
Trading participants:		
Balance at beginning of year	**₱688,660,120**	₱645,738,112
Contributions	**13,465,534**	11,690,297
Balance at end of year	**702,125,654**	657,428,409
The Parent Company	**80,000,000**	80,000,000
	782,125,654	737,428,409
Accumulated income:		
Balance at beginning of year	**388,187,804**	355,167,916
Interest income - net of management fee of	**9,826,820**	8,130,374
Balance at end of year	**398,014,624**	363,298,290
Net unrealized loss on AFS investments	**(29,605,157)**	(34,382,854)
	368,409,467	328,915,436
	₱1,150,535,121	₱1,066,343,845

Contributions

In order for the SCCP to effectively implement its Fails Management function, the CTGF must be adequate to cover any unsettled trade by any member on any settlement day. Fails Management aims to settle a failed trade due to nonpayment of cash and/or nondelivery of securities by clearing members. In this regard, SCCP continuously builds up the CTGF through the monthly contributions collected from the clearing members and collection of initial contributions from new and returning clearing members.

On September 25, 2001, the SCCP's Board resolved to approve the return of the principal amount without interest, of the contributions made by members to the CTGF in case of (1) liquidation of the CTGF, in which case the contribution shall be returned to members as of the date of liquidation, and/or (2) cessation of membership in the Corporation, whether by sale of seat or otherwise.

On January 28, 2003, the SCCP's BOD approved the amendment of its rules on CTGF providing for the non-refundability of all CTGF contributions to its clearing members. On April 26, 2007, the SCCP's BOD approved the full refund of CTGF contributions upon cessation of trading operations of a clearing member and upon termination of its membership with the SCCP, at the same time that it approved an increase in the rate of CTGF contribution to be collected from each clearing member from 1/1000 of 1% to 1/500 of 1% of the members' trade value, net of block sales and cross transactions of the same flag. The SEC subsequently approved the rate increase in July 2007.

While awaiting approval by the SEC of the refundability of the contributions, on November 3, 2009, the SCCP's BOD approved to postpone the implementation thereof until such time that SCCP is able to implement other measures to augment the Clearing Fund. The SCCP's President formally notified the SEC of such decision of the BOD on November 12, 2009.

During its regular meeting held on March 15, 2017, the SCCP Board approved the refund of the contributions to the members upon cessation of business operations by the Clearing Member and/or upon termination of membership with the Corporation, provided that all liabilities of such Clearing Member at the time of termination, whether actual or contingent, shall have been satisfied or paid in full, (taking into account any pending and previous applications of the Clearing Fund at the time of such termination). The refund of the contributions shall be made after a reasonable processing time, and shall be subject to the approval of the SEC.

In April 2017, the SCCP submitted to the SEC the aforementioned revisions to its Rules and Operating Procedures. During SCCP Management's meeting with the SEC on February 19, 2018, the SEC required a further revision to SCCP's Rules and Operating Procedures to indicate that refunds of contributions to the Clearing Fund shall be restricted and classified as "trade-related assets" in order to give priority to settlement of claims of client-investors vis a vis claims of other creditors, if any. This revision was approved by the SCCP Board during its regular meeting held on February 21, 2018, together with a provision that the refund of CTGF contributions applies only to all current and actively operating PSE Trading Participants/Clearing Members of the SCCP at the time of the effectivity of the amendments, and was submitted to the SEC on March 6, 2018.

SCCP Management was notified by the SEC on May 10, 2018 that during its meeting held on March 13, 2018, the Commission En Banc resolved to approve SCCP's proposed amendments to SCCP Rule 5.2 and Operating Procedure 4.3.1.3, making contributions to the Clearing Fund refundable as trade-related assets to a Clearing Member upon cessation of business of the Clearing Member and/or upon termination of its membership with the SCCP, subject to the conditions mentioned above. SCCP Management notified its Clearing Members of the said approval by the Commission through Memo for Brokers No. 01-0718 dated July 25, 2018. The said revisions to SCCP Rule 5.2 and Operating Procedure 4.3.1.3 became effective on August 1, 2018.

The assets of the CTGF consist of:

		As of March 31
	2019	2018
Cash in banks	**₱57,749,543**	₱19,542,400
Accounts receivable	**4,251,269**	5,064,717
Accrued interest receivable	**7,370,973**	7,188,569
AFS investments - debt securities:		
Principal amount	**1,105,375,600**	1,060,142,600
Net unamortized premium	**5,392,893**	8,788,413
Net unrealized loss on AFS investments	**(29,605,157)**	(34,382,854)
	₱1,150,535,121	₱1,066,343,845

Under the SCCP's rules, the CTGF may only be invested in the following:

a. Securities issued or guaranteed by the Republic of the Philippines; and
b. Such other investments as the SCCP's BOD may approve, taking into consideration the liquidity requirements of the clearing fund.

Net unrealized loss from CTGF investments held as AFS follows:

		As of March 31
	2019	2018
Balance at beginning of year	(59,133,623)	(16,134,397)
Change in fair value	29,528,466	(18,248,457)
Balance at report date	(29,605,157)	(34,382,854)

For the management and administration of CTGF, the SCCP is entitled to a management fee computed at 0.1% of CTGF fund level as at the close of year.

Any proceeds from the CTGF shall not be used for any purpose other than for:

- Payment of the net money obligations of a defaulting buying member in order to settle a failed trade;
- Buy-in of relevant securities due from a defaulting selling member in order to settle a failed trade;
- The satisfaction of losses, liabilities and expenses of the SCCP incidental to the operation of its clearing and settlement functions and the management of the CTGF;
- For use as collateral in securing credit facilities from the Settlement Banks for the purpose of settling a Failed Trade;
- For use as collateral in borrowing securities through the Securities Borrowing and Lending Facility; and
- Payment of premium on any insurance policy taken for the CTGF.

<u>Explanation for each information where disclosure of such is not applicable in our interim financial statements</u>

PART I – FINANCIAL INFORMATION

<u>Item 1 – 7</u>

A. In the preparation of its interim financial statements, PSE did not change the policies and methods of computation used in its audited financial statements for the period ended 31 December.

The accounting policies and methods of computation used in the audited financial statements as of and for the year ended December 31, 2018 were consistently applied in the interim financial reports.

B. Explanatory comments about the seasonability or cyclicality of interim operations.

There is no seasonability or cyclicality in PSE's operation.

C. The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature size, or incidents.

NONE.

D. The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in financial years, if those changes have a material effect in the current interim period.

NONE.

E. Issuance, repurchase and repayments of debt and equity securities.

NONE.

F. Dividends paid (aggregate or per share) separately for ordinary shares and other shares.

<u>Cash Dividends</u>

1. **1st Declaration - The Board of Directors in a special meeting held on December 15, 2003 declared a cash dividend of ₱2 per share payable on January 8, 2004 to stockholders of record as of January 7, 2004.**

2. **2nd Declaration – The Board of Directors in its special meeting held on February 18, 2004 declared anew cash dividend at ₱16.00 per share on 15,277,513 PSE shares issued or a total of P 244,440,080 to stockholders of record as of March 4, 2004 payable on March 9, 2004.**

3. **3rd Declaration – The Board of Directors in its regular meeting held on February 9, 2005 declared anew cash dividend at ₱5.00 per share on 15,277,505 PSE shares issued or a total of ₱ 76,387,525 to stockholders of record as of February 28, 2005 payable on March 15, 2005.**

4. **4th Declaration – The Board of Directors in its regular meeting held on February 22, 2006 declared anew cash dividend at ₱5.76 per share to stockholders of record as of March 9, 2006 payable on March 24, 2006.**

5. **5th Declaration – The Board of Directors in its regular meeting held on February 14, 2007 declared anew cash dividend at ₱8.80 per share to stockholders of record as of March 1, 2007 payable on March 15, 2007.**

6. **6th Declaration – The Board of Directors in its regular meeting held on March 26, 2008 declared cash dividend at ₱20.00 per share to stockholders of record as of April 15, 2008 payable not later than May 15, 2008.**

7. **7th Declaration – The Board of Directors in its regular meeting held on February 25, 2009 declared cash dividend at ₱8.00 per share to stockholders of record as of March 12, 2009 payable not later than March 25, 2009.**

8. **8th Declaration – The Board of Directors in its regular meeting held on March 10, 2010 declared cash dividend at ₱10.00 per share to stockholders of record as of March 25, 2010 payable not later than April 21, 2010.**

9. **9th Declaration – The Board of Directors in its regular meeting held on March 9, 2011 declared cash dividend at ₱12.00 per share to stockholders of record as of March 24, 2011 payable not later than April 11, 2011.**

10. **10th Declaration – The Board of Directors in its regular meeting held on March 14, 2012 declared cash dividend at ₱ 7.00 per share to stockholders of record as of March 29, 2012 payable not later than April 18, 2012.**

11. **11th Declaration - The Board of Directors in its regular meeting held on March 13, 2013 declared cash dividend at ₱ 9.00 per share to stockholders of record as of April 2, 2013 payable not later than April 26, 2013.**

12. **12th Declaration - The Board of Directors in its regular meeting held on March 12, 2014 declared cash dividend at ₱ 9.00 per share to stockholders of record as of April 3, 2014 payable not later than April 28, 2014.**

13. **13th Declaration - The Board of Directors in its regular meeting held on February 25, 2015 declared cash dividend at ₱ 9.00 per share to stockholders of record as of March 25, 2015 payable not later than April 16, 2015.**

14. **14th Declaration - The Board of Directors in its regular meeting held on February 24, 2016 declared cash dividend at ₱7.00 per share to stockholders of record as of March 30, 2016 payable not later than April 25, 2016.**

15. **15th Declaration - The Board of Directors in its regular meeting held on February 22, 2017 declared cash dividend at ₱7.00 per share to stockholders of record as of March 31, 2017 payable not later than April 27, 2017.**

16. **16th Declaration - The Board of Directors in its regular meeting held on January 24, 2018 declared cash dividend at ₱9.00 per share to stockholders of record as of February 8, 2018 payable not later than March 6, 2018.**

17. **17th Declaration - The Board of Directors in its regular meeting held on March 27, 2019 declared cash dividend at ₱8.80 per share to stockholders of record as of April 12, 2019 payable not later than May 10, 2019.**

Stock Dividends

1. **The 100% stock dividend declared by PSE was approved by Securities and Exchange Commission on September 10, 2008. It was issued on October 22, 2008 to stockholders of record as of September 26, 2008.**

2. **The 100% stock dividend declared by PSE was approved by Securities and Exchange Commission on June 9, 2011. It was issued on June 8, 2011 to stockholders of record as of May 30, 2011. Listing and trading of shares commenced only upon approval by the SEC of PSE's listing application on June 9, 2011.**

3. **In December 10, 2013, the Parent Company's BOD approved the issuance of the 20% stock dividend declared to stockholders of record as of December 13, 2013. The SEC issued an Order dated November 27, 2013 authorizing the issuance ofshares to cover the stock dividend declaration. It was issued on January 6, 2014.**

G. Segment revenue and segment result for business segments or geographical segments.

NONE.

H. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

On April 27, 2018, the Exchange received an offer from Land Bank of the Philippines to purchase PSE's entire equity interest in the Philippine Dealing System Holdings Corp. ("PDS") at ₱360.00 per share for a total purchase price of ₱472,118,040.00, which is subject to certain conditions.

On January 16, 2019, the Exchange received from the Land Bank of the Philippines a revised offer to purchase the shares of the Company in PDS at ₱215.00 per share for a total purchase price of P281,959,385.00 subject to certain terms and conditions. Land Bank of the Philippines' offer expired on March 15, 2019.

I. The effect of changes in the composition of the issuer during the interim period, including business combination, acquisition or disposal of subsidiaries and long term investments.

None.

J. Changes in contingent liabilities or contingent assets.

None.

K. Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.

See "H" above.

<u>Item 2</u>

A. Any known trends, demands, commitments, events or uncertainties that will have material impact on the issuer'' liquidity.

NONE.

B. Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

NONE.

C. All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

See "J" on page 74.

D. Any material commitments for capital expenditure, the general purpose of such commitments and the expected sources of funds for such expenditures.

Various contracts totaling ₱302 million have been entered in to by the Parent Company as of March 2018. These are funded from internally generated funds.

E. Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

NONE.

F. Any significant element of income or loss that did not arise from the issuer's continuing operations.

NONE.

G. The causes for any material change (10% or more) from period to period in one or more line items on the issuer's financial statements.

See Management's Discussion and Analysis.

H. Any seasonal aspects that had a material effect on the financial condition or results of operations.

The effect of the "bear market" on the income of the Exchange and its subsidiaries are duly reflected in the Statement of Comprehensive Income.

THE PHILIPPINE STOCK EXCHANGE, INC. AND SUBSIDIARIES
INDEX TO THE SUPPLEMENTARY SCHEDULES
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March 31, 2019

Supplementary Schedules

A. Financial Assets (Cash and Cash Equivalents, AFS Investments and Financial Assets at Fair Value through Profit or Loss)
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
D. Intangible Assets - Other Assets
E. Long-term Debt
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G. Guarantees of Securities of Other Issuers
H. Capital Stock

The Philippine Stock Exchange, Inc. and Subsidiaries
Schedule A. Financial Assets (Cash and Cash Equivalents, AFS Investments and Financial Assets at Fair Value through Profit or Loss)

As at March 31, 2019 Name of Issuing entity as association of each	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Income received and accrued
Cash and cash equivalents			
Cash on hand	₱-	₱73,500	₱-
Cash in banks:			
Citibank – Dollar		16,991,900	
Metropolitan Bank and Trust Company (MBTC) – Peso		74,661	
BDO Unibank, Inc. (BDO) (Ayala Branch) – Dollar		326,139	
BDO (Ayala Branch) – Peso		26,219,454	
BDO (BGC Branch) – Peso		33,343,396	
BDO (Ortigas Branch) – Peso		100,038	
BDO (BGC Branch) – Dollar		4,843,532	
Rizal Commercial Banking Corporation – Peso		20,343,268	
Bank of the Philippine Islands – Peso		231,741	
Deutsche Bank		60	
		102,547,689	79,029
Cash equivalents:			
Banco de Oro		3,937,059,695	
		3,937,059,695	49,262,671
Cash and cash equivalents		₱4,039,607,384	₱49,341,700
Financial assets at Fair Value through Other Comprehensive Income (FVOCI)			
Republic of the Philippines	417,727,023	₱487,489,514	
Other Companies	116,000,000	112,278,01	
	533,727,023	₱599,767,528	₱4,580,041
Financial assets at Fair Value through Profit or Loss (FVTPL)			
Metropolitan Bank and Trust Company	2,747,982	₱162,753,911	
Banco de Oro	3,962,947	127,409,787	
Equity Securities	1	1,200,000	
	6,710,930	₱291,363,698	₱182,907
Total financial assets	**₱540,437,953**	**₱4,930,738,610**	**₱54,104,648**

The Philippine Stock Exchange, Inc. and Subsidiaries
Schedule B. Accounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
As at March 31, 2019

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Trading Participants	₱57,733,669	₱239,787,008	₱254,758,378	₱-	₱42,441,352	₱320,947	₱42,762,299
Advances to officers and employees	1,389,732	2,685,234	1,259,298	-	2,815,668	-	2,815,668

There are no receivables which are considered outside of the Company's ordinary course of business as at March 31, 2019..

The Philippine Stock Exchange, Inc. and Subsidiaries
Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
As at March 31, 2019

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current	Not Current	Balance at end of period
Securities Clearing Corporation of the Philippines	₱-	₱70,000,000	₱-	₱-	₱70,000,000	-	₱70,000,000

The Philippine Stock Exchange, Inc. and Subsidiaries
Schedule D. Intangible Assets – Other Assets
As at March 31, 2019

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Other charges: additions (disposals)	Ending balance
Computer software	₱132,061	₱	₱13,206	₱-	₱118,855

The Philippine Stock Exchange, Inc. and Subsidiaries
Schedule E. Long Term Debt
As at March 31, 2019

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under caption "Current portion of long term debt" in related balance sheet	Amount shown under caption "Long term debt" in related balance sheet
Not Applicable: the Company has no long-term debt as at March 31, 2019			

The Philippine Stock Exchange, Inc. and Subsidiaries
Schedule F. Indebtedness to Related Parties
As at March 31, 2019

Name	Balance, January 1, 2018	Balance, March 31, 2018
Not Applicable: the Company has no indebtedness to a related party as at March 31, 2019		

The Philippine Stock Exchange, Inc. and Subsidiaries
Schedule G. Guarantees of Securities of Other Issues
As at March 31, 2019

Name of Issuing Entity of Securities Guaranteed by the Company for which this statement is filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which the Statement is filed	Nature of Guarantee
	Not Applicable: the Company has no guarantees of securities of other issuers as at March 31, 2019			

The Philippine Stock Exchange, Inc. and Subsidiaries
Schedule H. Capital Stock
As at March 31, 2019

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Common Stock	120,000,000	84,899,809	-	9,651,196	212,400	75,136,213

**net of treasury stock of 100,006 shares.*